EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

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**GERMANY**

**Treuhand sell-off gains momentum**

Page 6

World News

## New York in eleventh-hour bid to rescue budget plan

New York city's mayor David Dinkins was engaged in a hectic 11th-hour round of negotiations to secure a balanced budget by a deadline of midnight last night. Page 16

**FT man deported**

William Keeling, the Financial Times correspondent in Lagos, was deported following Nigerian government criticism of his report on the country's oil export earnings. Page 16; Acid test, Page 5

**Polish purge sought**

President Lech Walesa's supporters called for a thorough purge of former communists from the Polish state administration and for power in the country to be concentrated in the presidency.

**Fire kills 32 miners**

At least 32 Soviet miners died at a pit in the Donbas coalfield of eastern Ukraine when a conveyor belt caught fire 1,150ft underground.

**Havel hails pact's end**

Czechoslovak President Vaclav Havel said the dissolution of the Warsaw Pact, expected to be formally announced in Prague today, was a step towards a new order in Europe.

**Clashes in Algiers**

At least two people were killed and three wounded in clashes between police and Moslem fundamentalists in Algiers, eyewitnesses said. Heavy gunfire shook the city. Page 5

**Japanese visit off**

Pakistani prime minister Nawaz Sharif called off an important tour of Japan due to start today, instead ordering an emergency cabinet meeting on rising crime at home.

**Migrants beat deadline**

Israel rushed more than 2,000 Soviet Jews into the country in one day to beat new Soviet travel regulations it fears will slow the rate of the biggest migration to Israel since the early 1950s. Page 5

**Payout for Soviet jobless**

The Soviet Union today begins giving unemployment benefit to millions of people, burying for good the 60-year-old maxim that he who does not work does not eat. Page 6

**Setback for Haughey**

The Fianna Fail party led by Irish premier Charles Haughey suffered serious setbacks in local elections. Left-wing and independent parties made strong gains. Page 6

**Lebanese civilians flee**

Thousands of civilians fled south Lebanon, fearing all-out war when Lebanese troops move into Palestinian guerrilla strongholds this week.

**Kidnappers' promise**

A Kashmiri militant group said it would release an Israeli it kidnapped three days ago in Indian-ruled Kashmir if the UN will collect him.

**Canadian link with Hanoi**

Canada will open its first diplomatic office in Hanoi this month. A Canadian spokesman said Canada was the fifth largest investor in Vietnam.

**Stateless quit Kuwait**

Hundreds of stateless Arabs are fleeing to Iraq, preferring to risk jail or death at the hands of Saddam Hussein rather than stay in Kuwait.

**Ugandan offer to Asians**

Uganda's interim parliament, the National Resistance Council, has said that 60,000 Asians expelled by dictator Idi Amin in 1972 have the right to return and reclaim their property.

**Drug smugglers hanged**

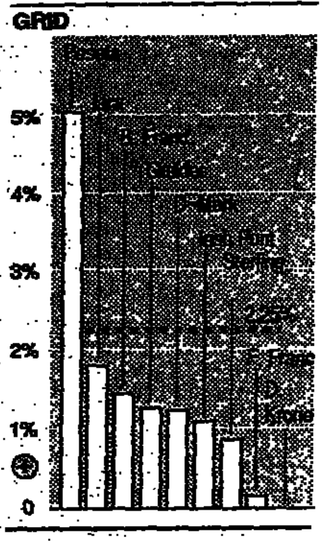
Ten heroin smugglers, including an Afghan, were hanged in north eastern Iran.

Business Summary

## Germany acts over growing cost of unity

Prices, taxes and unemployment in Germany will rise sharply as a result of a series of economic measures introduced today. The package underlines the growing post-unity financial and political pressures on the Bonn government, with Chancellor Helmut Kohl facing the threat of potential labour unrest in east Germany and higher interest rates. Page 16

EUROPEAN Monetary System: The Danish krone replaced the French franc as the weakest member of the European exchange rate mechanism. The highest placed Spanish peseta was well below its ERM ceiling, however, keeping pressure off the system. Sterling traded steadily, remaining the third weakest currency.




*The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.*

LONDON's International Stock Exchange is planning a new method for trading the shares of three-quarters of all listed companies by scrapping the competing market-maker system and replacing it with a series of monopolistic sole traders. It is modelled on the "specialist" system used by the New York Stock Exchange. Page 16

INTEL, the leading manufacturer of computer microprocessor chips, is the subject of an anti-trust investigation by the US Federal Trade Commission. Page 17

TRADE TALKS: The US warned the European Community that it would concentrate on completing its planned free trade pact with Canada and Mexico unless there was sufficient progress in the Uruguay Round of trade liberalisation talks by the end of next month. Page 6

INTERNATIONAL BONDS: The first six months of this year have been the most profitable period for intermediaries in the Eurobond market since the mid-1980s, according to bankers. The volume of new issues grew 50 per cent from just under \$80bn in the first six months of 1990 to \$121bn so far this year. Page 21

AIR New Zealand suffered a NZ\$19.4m (US\$11.18) loss for the 12 months to March 31, against a profit of NZ\$100.1m last year. It will raise NZ\$140m through a one-for-two rights issue. Page 19

CRA, Australian resources group, predicted a profits fall of at least 30 per cent, or A\$165m (US\$126.9m), for 1991 compared with last year's A\$472m net profit. Page 19

# UN team goes to Iraq as US hints at military action

**By Lionel Barber in Washington**

A TEAM of senior United Nations envoys arrived in Baghdad yesterday carrying an ultimatum to Iraq to open its suspected nuclear weapons sites to international inspection.

The success or failure of the UN mission is likely to determine whether President Bush moves ahead with plans to launch bombing raids to destroy Iraq's remaining nuclear capability.

Mr Bush believes that existing UN cease-fire resolutions offer sufficient authority for the use of force against Iraq, and some senior US officials are believed to be pressing for air-strikes if President Saddam Hussein continues to defy the UN inspection teams.

The crisis erupted last Friday after Iraqi soldiers fired shots in the air as UN inspectors filmed a truck convoy suspected of ferrying nuclear processing equipment out of an Iraqi military installation near Baghdad.

The UN team is headed by Mr Hans Blix, director general of the International Atomic Energy Authority, Mr Yasushi Akashi, UN under secretary-general, and Mr Rolf Ekeus, chairman of the UN special commission overseeing the inspection and destruction of Iraq's weapons arsenal.

Initial signs from Baghdad suggest that the Iraqi government intends to defuse the confrontation. A newspaper run by President Saddam Hussein's son, Uday, blamed "chaotic" administration within Iraq for blocking the UN team.

The Bush administration has used the strongest language since the Gulf war to express its anger over Baghdad's defiance of the UN inspectors and its efforts to conceal material relating to its nuclear programme.

Mr Bush, who is on holiday at his summer retreat in Kennebunkport, Maine, accused Mr Saddam at the weekend of "cheating and lying and hiding" regarding the nuclear weapons inspections.

"He must comply with the UN resolutions," he told reporters.

Speaking on television, Mr Lawrence Eagleburger, deputy secretary of state, said that the US would have to "solve this issue one way or another".

Iraq was hiding its nuclear capability, he said. "It's as simple as that."

However, Mr Eagleburger voiced confidence that the crisis would not lead to a renewed outbreak of hostilities between Iraq and the US-led coalition. "I would assume, frankly, that they will be able to resolve this peacefully, because I cannot think the Iraqis will be so stupid as to think they can get away with this for very long."

Even if the present crisis is resolved, US officials remain concerned about the advanced state of Iraq's nuclear programme – which was supposed to have been destroyed by allied bombing raids during the Gulf war.

US intelligence, working with information provided by an Iraqi nuclear scientist who defected last month, has discovered that Iraq is using Second World War vintage enrichment technology in its nuclear weapons programme.

This old technology could allow Iraq to deliver a crude nuclear device within a much shorter time than the five or so years which it was estimated to need before the Gulf war.

Mr Paul Leventhal, president of the Nuclear Control Institute, a Washington-based research organisation, said last week that Iraq was able to acquire some 25 machines – called calutron machines – to produce a few kilogrammes of bomb grade fuel a year.

The UN team in Baghdad is trying to track down these machines which inspectors believe were moved from the Abu Ghraib military complex west of Baghdad to an installation at Fallujah nearby.

Even if these machines are destroyed, questions remain on how to deal with the enriched uranium which Iraq is believed to have produced secretly, not least because it has a very long half-life.

## Rebel republics refuse to renounce declarations of independence

# Yugoslavia faces civil war

**By Judy Dempsey in Ljubljana and Laura Silber in Belgrade, David Buchan in Brussels**

YUGOSLAV politicans and European Community foreign ministers sought a new agreement to prevent the country sliding into civil war last night after the Slovenian parliament refused to halt moves to sever ties with the multi-ethnic federation.

Mr Hans-Dietrich Genscher, the German foreign minister, said on Sunday he would go to Yugoslavia today to help to try to find a diplomatic solution to the crisis.

Mr Genscher said he was going to Yugoslavia in his capacity as foreign minister of Germany and as chairman of the recently created CSCE (Conference on Security and Co-operation in Europe) crisis mechanism body.

A meeting of the CSCE crisis committee could take place in Prague as early as Wednesday, the foreign ministry said.

Mr Genscher said he would visit Belgrade and the Slovenian capital of Ljubljana independently of an EC peace mission which went to Yugoslavia on Sunday night.

Mr Ante Markovic, the Federal prime minister, also flew from Belgrade to Ljubljana for talks with Slovenia's secessionist President Milan Kucan to avert "a catastrophe and total civil, inter-ethnic war," a government statement said.

Forty people have been reported killed in fighting between federal troops and Slovenia's territorial defence units since the Federal army entered Slovenia on Wednesday night.

Neighbouring Croatia, Yugoslavia's second largest republic which declared independence with Slovenia on Tuesday, denounced the army's action against Slovenia.

In Ljubljana, Slovenian deputies gathered in the cellar of the darkened parliament building for fear of air raids. In the streets, armed defence units threw up scores of barricades and three people were killed in sporadic shooting.

The parliament called for international EC observers to be sent to Slovenia. Prime Minister Lojze Peterle told reporters the government had received threats of an attack on Ljubljana.

The EC and neighbouring Austria launched their last-minute bids to prevent the

**Serb leader may gain from turmoil**.........Page 2
**Feuding neighbours**.....................Page 3
**Hardline generals fail to cow Slovenia**.....................Page 3
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*Yugoslav federation breaking up in bloodshed, as air raid sirens wailed over the tense Slovenian capital of Ljubljana last night.*

The troika of foreign ministers from the European Community arrived in Belgrade in the hope of seeking firm assurances from the army that it would cease its militaryactivities in Slovenia.

The foreign ministers of Luxembourg, Italy and the Netherlands decided to return to Yugoslavia for on the spot negotiations after they failed to get replies to letters warning about the consequences of not biding by the terms of Friday night's abortive compromise proposals.

On their first mediation trip, the EC ministers brought together leaders of the federal government and of the two separatist republics of Croatia and Slovenia, and got their agreement to a ceasefire, a three month moratorium by the republics on their declarations of independence and a return to normal constitutional order.

But, after the Slovene parliament appeared to partially repudiate the agreement, the crisis re-erupted. The rebel government, confident it had won the propaganda war, said it would not renounce it declaration of independence.

The EC presidency, meanwhile, warned that "if there is no positive response to our demands, we will ask our Community partners to freeze aid and to delay negotiations on any new association agreements between Yugoslavia and the EC".

The EC has promised nearly \$1bn of its own aid to Yugoslavia, and the Community has additional leverage because it runs a larger package of dols 3.6bn aid pledged to Yugoslavia by the Group of 24 western aid donors.

Slovenia and Croatia declared theirindependence last Tuesday night, a move which prompted the Yugoslav army into taking control of Slovenia's external borders.

Officials from Zagreb, the capital of Croatia, also said last night that its government would not renounce the independence declaration.

On alert: A Slovene soldier at Ljubljana airport

## Slovenes driven by dream of Europe

**By Judy Dempsey**

"IT will never be the same again," said Mr Rudi Jugovar.

He and four colleagues were standing at a quiet mountain pass not far from the Austrian border. The road was blocked by trees felled by Slovenia's territorial defence units (TDU).

Mr Jugovar, recruited into the TDU last week, said he did not think he would be returning to his job as a clerk for some time. "We have received no order to return to base," he said. Mr Jugovar believes the action by the federal army "has burned all its bridges with Slovenia. It would be a tragedy for us if we dared renounced our independence. We will go it alone to Europe, even if the west does not recognise us."

These were sentiments expressed by many Slovenes yesterday, as the federal army waged a war of nerves against this small Alpine republic of 2m people. Their dogged determination to implement their declaration of independence is now the driving force which steers the Slovene government.

During an emotional meeting of the parliament which lasted into the early hours of yesterday morning, interrupted by gunfire and threats by the federal army to bomb Ljubljana, it issued a statement which defied the federal government – and western governments.

The parliament stated that "the republic of Slovenia insists on the adopted independence documents and charges

Continued on Page 16

# New Emu formula may clear the way for British approval

**By Philip Stephens and David Buchan in Luxembourg**

A NEW formula allowing Britain to postpone a final decision on whether to join a single currency appears set to clear one of the last remaining obstacles to a treaty on European economic and monetary union at the end of this year.

The formula, which attracted wide support at the European summit in Luxembourg, avoids a key weakness of a similar plan tabled earlier this year by Mr Jacques Delors, the European Commission president.

It should assuage also the concerns of countries such as Italy and Spain that more advanced northern states might seek to "lock them out" of an eventual move to a single currency.

Under the new proposal, the Emu treaty would contain three safeguard clauses which would come into effect once governments were ready to move to the final stage of monetary union:

- No country could prevent its partners from establishing a single currency if they had met certain criteria for the convergence of their economic performance.
- No country which had met those criteria could be excluded.
- No country could be compelled to join.

The third element would meet the demand of Mr John Major, the British prime minister, that any changes to the Treaty of Rome must not result in the imposition of a single currency without a separate decision by the British parliament. But unlike the earlier proposal of Mr Delors it would avoid an explicit recognition – embarrassing to Mr Major – that Britain might lag behind its partners.

Senior British officials said yesterday that the summit had not agreed the plan, but they added that it had "considerable" attractions. It will now be discussed in detail at the intergovernmental conference on Emu before its expected inclusion in the final treaty.

Mr Major cut another knot when he indicated he would accept a timetable for Emu in return for an agreement that any dates were subordinate to success by governments achieving economic convergence.

In its formal conclusions, the lacklustre Luxembourg gathering did little to advance the tortuous negotiations on further integration.

There was a consensus among the 12 leaders, however, that on Emu at least the way now seems clear for a formal accord at the Maastricht summit in December.

President Mitterrand said he found nothing surprising in the absence of a more substantial outcome, saying that "going by my experience over the years, agreement will only be reached in the last five minutes" before Maastricht.

Others were more emphatically upbeat, including Mr Delors and Chancellor Helmut Kohl, who said: "The climate was extraordinarily good."

Summit details, Page 4



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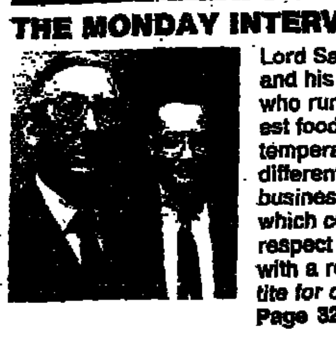
**THE MONDAY INTERVIEW**



Lord Sainsbury (left) and his cousin David, who run Britain's largest food retailer, are temperamentally very different but share a business philosophy which combines deep respect for tradition with a restless appetite for change. Page 32



FORTHCOMING FT SURVEYS

**Developments in London's Docklands: see Thursday's survey, details right.**

**THURSDAY, JULY 4:**

**European Investment Locations**: the task of finding the best-suited locations for business in Europe is becoming increasingly complex, but in the last decade, Britain has attracted more companies from outside the EC than any other western European country.

**MONDAY, JULY 8:**

**Rebuilding Kuwait:** Devastated by war, long-term national security remains one Kuwait's biggest problems.

**TUESDAY, JULY 9:**

**New Zealand:**: the economy has been the focus of most New Zealanders' attention for years, but it stubbornly refuses to improve in spite of extensive liberalisation.

## CRISIS IN YUGOSLAVIA

Brussels may have rushed into a crisis it has little hope of shaping

# EC dashes into its own backyard

**The EC is venturing into an historically intractable region, David Gardner writes from Luxembourg**

IT SEEMED at one point that the European Community could make "sweet reason and all-night meetings" (Sir Leon Brittan's description of how the EC moves forward) work in its eastern backyard.

The peace package pulled together by the troika of EC foreign ministers and the presidents of the rebel republics of Slovenia and Croatia might have represented an EC coup - EC firemen snuff out fuse on Balkan powder-keg; historic breakthrough for embryonic common foreign and security policy (failure to get act together over Gulf crisis now pre-history). "This is the hour of Europe, not the hour of the Americans," Mr Jacques Poos, foreign minister of Luxembourg, which surrenders the EC presidency today, said too grandly to avoid surrendering a hostage to fortune as well. "If the Yugoslavs want to enter the Europe of the 20th century, they have to follow our advice," Mr Poos warned.

But throughout the exercise there was an air of implausibility about the EC achievement.

In the short term, the EC has acted decisively, and seemed by Saturday morning, as Mr Gianni de Michelis, the flamboyant Italian foreign minister, put it in Zagreb, to have succeeded in "de-escalating the Yugoslav crisis". But neither he, nor anyone else party to the fragile agreement, would be drawn on the mid-term. Mr Poos said: "We know we cannot resolve the problems of Yugoslavia in one night".

Mr Milan Kucan, president of Slovenia, almost mute with rage after the pounding his republic took from Yugoslav air force jets throughout Friday, said: "We are very, very nervous."

Though later on Saturday he backed suspending implementation of the independence Slovenia and Croatia declared last Tuesday, within 24 hours he was overruled by his parliament. The mid-term had got under way almost immediately. Yet even before these developments, there were visible strands to the sense of implausibility. Yugoslavs transact most of their political business in all-night meetings. But as for sweet reason, they simultaneously manage to keep eight or nine irrational ethnic and nationalist conflicts simmering. EC methods could take time to catch on.

The EC is venturing into an historically intractable region. From the Romans to the Habsburgs, multi-nation states erected in the east and centre of Europe have tumbled. Communism froze the pattern but was built on the same national/ethnic fault lines which have emerged with a vengeance post-Cold War. Nowhere more immediately than in Yugoslavia. Unsurprisingly therefore, the jumble of images thrown up by the EC's diplomatic dash never quite seemed to gel.

Nonetheless, the EC's interim peace formula was probably the best chance of getting talks started on Yugoslavia's future. Arguably, the EC, as well as the US, was wrong to insist that Yugoslavia must retain the federal structure it had until last Tuesday. The Austrians, and some of the Brussels diplomats involved in the European Political Co-operation mechanism the EC now uses in lieu of a common foreign policy, argue that this was to write a blank cheque for the Serbs and actually helped precipitate the break-up of Yugoslavia.

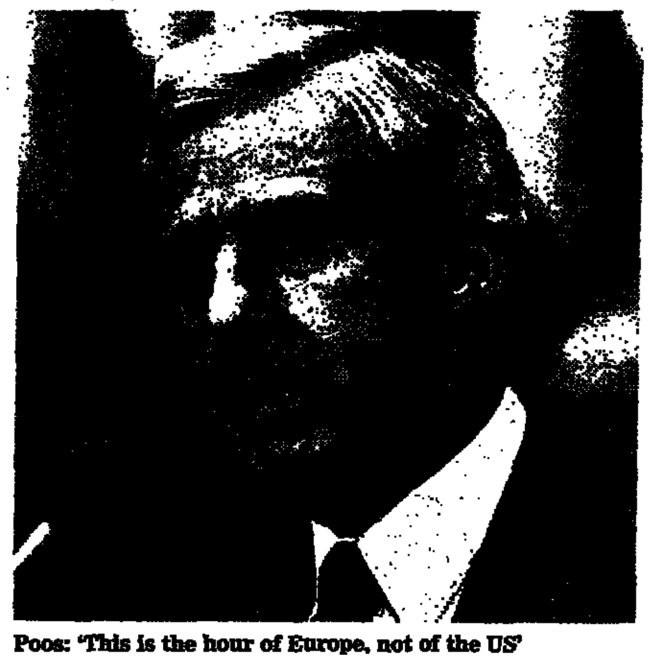
The EC's threat to withdraw over \$1bn (£800m) in soft credits and grants, and possibly over \$3bn more under the Group of 24 programme for eastern Europe which the Community co-ordinates, seems to have been an inadequate weapon to bludgeon the feuding parties into serious negotiations. As a policy instrument, external aid - administered by the European Commission - is only loosely connected to foreign policies occasionally agreed in common by the 12.

Yet, the 12 leaders in Luxembourg reacted as one, when the Slovenes and the federal authorities appealed to the Community for help in mediation. But they were not so clear-headed as to avoid the impression that the EC was being sucked late into a crisis it had little hope of shaping.

Public and private remarks differed. Mr John Major, the UK prime minister, for instance, said at lunch-time on Friday that he thought "the first prize is to hold the [Yugoslav] federation together." Inside the summit meeting, however, he had earlier said that it had to be recognised that it was probably no longer possible to hold Yugoslavia together, and that public opinion was likely to back the Slovenes. Cynics would, and did, add that a pattern was emerging whereby European summits now set aside trying to disentangle the knotty questions of monetary and political union to devote themselves to international fire-fighting.

"Is there anything to suggest the Yugoslav mission would have taken place if there hadn't been a summit going on?" Mr Jacques Santer, Luxembourg prime minister, was asked. "That's quite a question," the outgoing EC president replied. The answer is probably, yes, but that the chances of this or any future shuttle would be improved if the 12 had a more integrated way of arriving at a common stance on foreign and security policy issues. Whether it will get one will be the business of the December summit in Maastricht to decide.

Editorial comment, Page 14



Poos: 'This is the hour of Europe, not of the US'

# Serbian leader poised to gain from turmoil

**Laura Silber looks at the ambitions and manoeuvrings of Mr Milosevic**

THE fate of Yugoslavia and the fate of Mr Slobodan Milosevic, president of its largest republic, Serbia, are inextricably linked.

"If Yugoslavia descends into civil war it means the mass mobilisation of Serbia and Mr Milosevic's political survival are ensured," said Mr Dragoljub Micunovic, president of Serbia's opposition Democratic Party yesterday. "But if the situation turns towards peaceful negotiations, then Mr Milosevic will be weakened. He has foregone too many chances to ease tensions and find a resolution of Yugoslavia's crisis," he added.

When the Yugoslav People's Army occupied Slovenia last week after the western republic's declaration of independence, Mr Milosevic realised a goal. This was accomplished while Serbia remained above the fray between the federal government and the army, on one side, and the breakaway republics of Slovenia and Croatia, on the other. Since January, the ruling Socialist Party of Serbia (SPS) has called on the federal army to impose "emergency measures" to stop Yugoslavia's disintegration.

Mr Milosevic has repeatedly said Yugoslav peoples, including Slovenes and Croats, have the constitutional right to self-determination, which includes secession. Through political and economic blockades, Serbia has tried to drive Slovenia out of Yugoslavia. An independent Slovenia would leave Croatia isolated in a Serbian-dominated Yugoslavia.

Croatia, in a rump Yugoslavia, would be blocked from seeking independence by the republic's Serbs, who make up 11 per cent of Croatia's population. Mr Milosevic is aware that Serbian dominated regions across the country, in Croatia and the central republic of Bosnia-Hercegovina, would join Serbia if civil war erupted.

Last week the federal government's goals seemed to coincide with those of Serbia, when both called for the army to guarantee Yugoslavia's borders. The order by the federal government and parliament to the army last week prompted Croatia and Slovenia to accuse Mr Ante Markovic, the prime minister, of being under Serbia's control.

But Mr Milosevic has waged a campaign against Mr Markovic in the past year in an attempt to stop the federal prime minister's political and economic reforms from loosening the republic's hold over the economy.

Army intervention has enabled Mr Milosevic to mend divisions in Serbia's ruling party. The two fractions in the SPS – Serbian nationalists and hardline communists – were united in criticism of Mr Markovic. Communists have attacked the federal government's programme of economic and political reform. Nationalists have criticised Mr Markovic, a Croat, for his attempts to steer the country towards democracy away from nationalism.

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# Italian city turns into sea-bridge for tourists

By Haig Simonian in Trieste

● Slovenia's President Kucan, left: he discussed developments on Saturday with Italy's Liberals Renato Altissimo, leader of Italy's Liberals

ISOLATED incidents between Slovene forces and Yugoslav federal troops at key frontier crossings between the republic of Slovenia and Italy continued over the weekend as federal forces consolidated their positions.

Only two of the seven frontier crossings in the Trieste region between Italy and Slovenia remained open, with severe delays and uncertainty for travellers.

Despite the ceasefire, three Serbian members of the federal army were reported to have been killed at the Rabuisese crossing point near Muggia. At the Sant' Andrea crossing near the Italian city of Gorizia, north of Trieste, a group of federal soldiers surrendered to Slovene paramilitary forces on Saturday night.

The violence has caused severe disruption on one of this year's busiest holiday weekends, as thousands of German and Austrian motorists would normally drive through north-eastern Italy towards Yugoslavia.

Instead, tourist flows have been entirely in the other direction as thousands of anxious foreigners leave Yugoslav ports on special ferries for Italy. On Saturday alone, some 3,000 predominantly Austrian and German tourists disembarked in Trieste on board specially chartered vessels from the Istrian coast. Other ferries sailed to Ancona to the south. "We've started a sort of sea-bridge," said an official at the Trieste harbourmaster's office yesterday. "We expect it to continue for a few more days yet."

The violence in Slovenia has come as an unexpected boost to Italian hoteliers on the Adriatic, who are only slowly getting over the devastating effect of the seaborne algae which severely damaged tourism in 1989.

According to hoteliers in the holiday port of Grado, near Trieste, last-minute bookings have surged as foreigners switch destinations.

According to one young deserter from the federal Yugoslav army, federal troops had been told then were being moved up to the Italian border to prevent an imminent Italian invasion. The deserter, a Kossovan, Agron Jslami, said troops have been told to fire on civilians without asking questions.

The Italian authorities have not yet moved extra troops to the frontier region, unlike their Austrian counterparts. However, airborne patrols from the Treviso airbase were stepped up on Saturday following reports of an incursion of Italian airspace by unidentified aircraft. Meanwhile, a special telephone number has been set up by the Italian authorities for Italians worried about the safety of friends and relatives across the border.

The violence in Slovenia has triggered calls from politicians in a number of regions in northern Italy for an urgent meeting to discuss the situation. Mr Adriano Biasutti, the head of the Friuli-Venezia Giulia region neighbouring Slovenia, said he hoped such a meeting would take place in Trieste later this week.

On Saturday, Mr Renato Altissimo, the leader of Italy's Liberal party, went to Ljubljana to discuss developments with Mr Milan Kucan, the Slovene president, and Mr Dimitri Ruppel, the foreign minister.

Yugoslavia's internal problems did not prevent its national basketball team trouncing the Italians in the European championship in Rome on Saturday, Despite the decision by one Slovene star player not to play with the federal team for the finals, Yugoslavia beat Italy by 88 to 73.

# Hardline generals in federal army fail to cow Slovenia into submission

By Judy Dempsey in Ljubljana and Anthony Robinson in London

IF the hardline communist generals who control the Yugoslav army hoped to cow Slovenia into submission they appear to have failed in their purpose. Instead the army's threat to use all force at its disposal to secure a ceasefire appears to have hardened the resolve of this small Alpine republic.

Mr Milan Kucan, the Slovene president, declared at the weekend: "Slovenia can no longer be an integral part of Yugoslavia. It could be forcibly annexed back to Yugoslavia, but such an act would not put a stop to the democratic processes here." He added: "Due to the current aggressive interventions of the army against Slovenia, it will not be possible to discuss the possibility of establishing a new community of sovereign states on the territory of former Yugoslavia."

## Control of the military appears to have passed to about 200 officers around the general staff

The agreement on a ceasefire by the federal army and Slovene forces, reached by the troika of EC foreign ministers and federal and republican ministers on Friday night, hinged on Slovenia accepting a three-month suspension in implementation of its declaration of independence. It also required Serbia to accept the appointment of Mr Stipe Mesic, a Croat, as federal president. Serbia had blocked his appointment on May 15. But the "peace agreement" was already in tatters when the troika returned to Luxembourg on Saturday morning.

Although Mr Ante Markovic, the federal prime minister, met Croat and Slovene leaders yesterday to seek a new political agreement, events over the last few days indicate that the real power behind the attempt to keep Yugoslavia as a federal state, by force if necessary, is not the weak and divided federal government but the federal army.

By giving the army the go-ahead in Slovenia, Mr Markovic has damaged his credentials as a prime minister committed to the democratic process and his credibility with the international community. In effect the generals appear to have pulled off a virtual military coup.

At least, this seems to be the conclusion to be drawn by recent events.

For a start, Mr Vejko Kadijevic, the defence minister and member of the special co-ordinating council set up by Mr Markovic which helped fill the political vacuum caused by collapse of the collective presidency on May 15, has hardly been seen or heard since the military moved to seal off Slovenia's frontiers with Austria, Italy and Hungary on Wednesday.

Mr Markovic had relied on Mr Kadijevic to keep a tight rein on the army and restrain the hardline communists and Serb nationalists.

Instead it was General Marko Negovanovic, a former head of the army's political department who went on Belgrade television on Saturday to threaten Slovenia that the army would drop its relative restraint and "declare a mobilisation" unless Slovenia honoured the ceasefire agreed on Friday night between the federal government and the EC troika. It was also Gen Negovanovic who announced that a general mobilisation of all armed forces was in its final stages on the territory of Croatia. Hard information is patchy, but control of the army appears to have moved into the hands of a group of 200 communist officers around the general staff. This group, set up earlier this year, has nothing but disdain for western governments and the democratic process. Its views were reflected in a document drawn up by last January which criticised what it called western attempts at interference in Yugoslavia, and went on to spell out its vision of a new Yugoslavia. The main points of the document were:

- "The west is aiming to divide Yugoslavia by attacking the communists. The functioning of the federal state must be secured. . . if the west imposes its will it would be difficult to avoid bloodshed. . .
- "Socialism is not finished and has not been brought to its knees, Yugoslavia though paying a high price has managed to overcome the first strike of the anti-communist hysteria wave. A real possibility to preserve the country as a federative and socialist society has been preserved.
- "The army as an institution must be included in discussions on the future of Yugoslavia.
- "Suggestions that Yugoslavia should become a confederation run against the fact that such a state cannot exist. Yugoslavia can be only a unified federal state.
- "Every effort has to be made to ensure that the League of Communists/Movement for Yugoslavia, to which the senior officers belong, becomes the major political force in Yugoslavia over the next five or six months.

Even if the army does return to barracks, as demanded by the troika of EC foreign ministers, Slovene and Croat government officials believe the crisis will continue. Events in Slovenia, they believe, are likely to lead to a chain reaction in other parts of the country where the potential for inter-ethnic conflict is infinitely greater than in small, ethnically homogeneous Slovenia which voted overwhelmingly to reject communism and create its own multi-party, free market democracy last year.

Yesterday, hundreds of Slovene paramilitary troops, armed with rifles, pistols and grenades, and backed by armed civilians, waited for air attacks and Slovene television broadcast a video telling its citizens about air-raid shelters. Fear engulfed the Slovene capital of Ljubljana, a city of 350,000 people.

As for the federal army, it appeared surprised by the determined resistance of Slovenia's inexperienced territorial defence units, and frustrated by the restraint urged by some federal army commanders which has prevented the full might of the federal forces being used against the republic.

Even so, the loss of life, the strafing of blocked traffic, and the destruction of frontier posts and of vital tourist facilities such as Ljubljana and Maribor airports and passenger aircraft on the ground, have left a bitter taste which will be hard to remove.

A Slovene militiamen in Ljubljana yesterday checks a motorist's identity as the city waits fearfully for air attacks

# Consensus in the front line: 'After all, they're still our own people'

WHILE the politicians of breakaway Slovenia and the Yugoslav government wrangle to find a solution to the current crisis some soldiers on both sides appear to have found a consensus. Reuter reports from Sentilj.

"We don't want to fight them and they don't want to fight us," Lieutenant Uros Ribic, deputy commander of the Slovene militia at the Sentilj border crossing with Austria, said yesterday. "We have agreed with the other side that we won't shoot at them unless they shoot us. After all they're still our own people."

Sentilj, one of Yugoslavia's biggest border crossings into Austria, was still closed to all but a few pedestrians yesterday. More than 100 trucks stood idle in the customs area waiting for the border to reopen.

"We can't open the border yet because the federal troops still control two hills on either side, but we have them surrounded and are in control," Lt Ribic said.

On one ridge above the customs area the muzzles of what appeared to be bazookas could be seen protruding from three trenches.

Some distance away two Austrian soldiers observed the situation from their side of the border while Austrian air force jets flew patrol missions just inside Austrian territory.

Three tanks that used to belong to the federal army, now with red, white and blue Slovene markings, stood with guns pointing at the Yugoslav positions. They and five others had been surrendered by their crews on Saturday.

"Up on the hill there are still about 50 troops under the command of a Serbian major," said Lt Ribic, who in civilian life runs his own business selling television satellite receivers. "Another 30, some of them Slovenes, have already come over to our side and told us that most of the others wanted to give up as well," he said.

"They said they had threatened even to kill the major if he tried to prevent them from leaving."

Lt Ribic said the militia and federal commanders had agreed to the armed truce. "But there are several tank units about 3km further east in Cersak and we don't know what they are up to."

He said that on Saturday soldiers from the other federal stronghold on the other side of Sentilj had come down to ask for medical assistance for their commander who had fallen ill.

"We told them to bring him down and then we took him to hospital," the lieutenant said. "He is a Bosnian and told us he too did not want to fight."

Militiamen surrounding the two strongpoints were trying to persuade troops from the other side to give up and come over to them.

"I think we shall be able to persuade them to give up just as we did the crews of the tanks," Lt Ribic said.

The Yugoslav army vastly outnumbers the territorial defence units in Slovenia, a republic of fewer than 2m people which declared independence from Belgrade on Tuesday.

Yugoslavia's armed forces total 180,000, and 138,000 of them are in the army. Slovenia says it has 68,000 men in its territorial defence units but can arm only 40,000 of them.

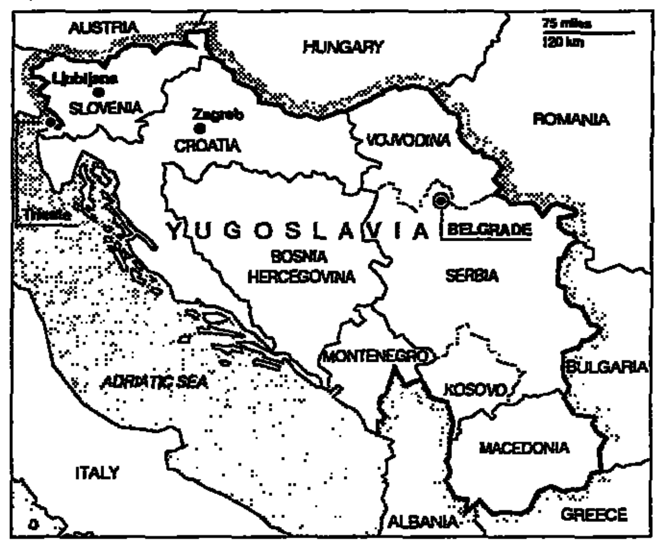
## CZECHS CRITICISE ATTITUDE OF COMMUNITY

THE Czechoslovakian press strongly criticised yesterday the attitude of the EC towards Slovenia and Croatia, following the endorsement by the Slovak leader of the independence-seeking republics earlier in the week, writes Arianne Genillard in Prague.

"Through its support of the centralist powers inside the Serbian leadership, the European Community is encouraging the repression against Slovenia and Croatia," commented the influential daily Hospodarske Noviny. Similar criticism was found in the highbrow daily Lidoviny Noviny.

On Thursday, Mr Jan Carnogursky, prime minister of the Slovak republic within the Czechoslovak federation, sent a telegram to his Croatian and Slovenian counterparts praising "the right to self-determination of the Slovene and Croatian nations".

Nicholas Denton in Budapest adds: Mr Rudolf Davorin, foreign minister of the breakaway Yugoslav republic of Croatia, yesterday appealed for recognition from Hungary at an unscheduled meeting with his counterpart, Mr Geza Jeszenszky, in Budapest.



EUROPEAN COMMUNITY SUMMIT IN LUXEMBOURG

# Dutch playing for big stakes in top EC role

By David Buchan in Luxembourg

THE Netherlands takes over presidency of the EC today in the daunting knowledge that the summit it will host at Maastricht on December 9-10 will prove a big success on political and monetary union or an abject failure, with almost no room for anything in between.

Even on Saturday, Prime Minister Ruud Lubbers was trying to lower expectations by saying: "I leave Luxembourg with the feeling that it will be extremely difficult to get an agreement at Maastricht."

This was partly a comment on the fact that the Luxembourg summit did little to bridge key divisions among the Twelve. It was also to make the Dutch achievement seem all the greater, if Maastricht is crowned with success.

Dutch hints that they might convene an interim summit in October may not make their task much easier. The tactic of most countries is to save any real concessions for the final horse-trading in December.

The Dutch might also be ill-advised to tamper too much with the structure of the 132-page draft treaty they have inherited from the Luxembourg presidency.

Along with Belgium, the Netherlands dislikes the Luxembourg idea that the Twelve's foreign and interior ministries should decide policy largely outside the standard Community framework. But this structure now seems to suit the 10 other states.

Presidency holders have to pull back a bit from the direct fray, so as to play referee among the other 11. But the UK is probably right to expect that it will not get a rough handling from the Netherlands, Britain's closest ally on much Community business.

Among priorities shared between the two countries is a desire not to let greater EC defence co-operation alienate the US from Europe or to damage Nato. Nor is the Netherlands as keen as many others on social legislation to which the UK objects.

But Britain may have to bow to the importance the Dutch place on environmental issues, perhaps by agreeing to more majority voting in this area, if it wants to maintain Anglo-Dutch amity.

The basis of this relationship has been a joint enthusiasm for trade liberalisation – inside the EC in terms of transport (important to Dutch road hauliers) and outside the EC in terms of agricultural reform and an early conclusion to the Gatt trade talks.

# Major commits himself to compromise

**Philip Stephens** on a summit which could prove a watershed for British politics

FROM any other European leader it would have been merely a statement of the obvious: "I think there is no one in the Community who will not have to compromise in some regard if we are going to successfully get agreement".

The significance of the remark was that it was made by Mr John Major, the British prime minister, at the end of a European summit which for his government – and the Conservative party – may well prove a watershed.

The absence of any agreements in Luxembourg – and the wrangling in the final hours over the wording of the communiqué – obscured an important shift in Britain's approach to bargaining on economic and political union.

John Major: determined to keep most important deals on monetary union away from public view

Mr Major insisted throughout the summit that no individual parts of a deal could be agreed until the whole package was on the table. But he stressed just as often that he was as determined as his colleagues not to find himself in a minority of one when that "everything" was put on the table at the Maastricht summit in December.

Despite the anxiety of a relatively small but vocal minority of vehement "Eurosceptics" among his own supporters at Westminster, the prime minister is now committed to a series of compromises in both intergovernmental conferences.

He is convinced also that the approach is already yielding results. The summit communiqué contained important concessions to Britain's view that economic convergence must precede rather than follow any move to a single currency and to UK opposition to community regulation of social policies.

The most important deals on monetary union have already been made, although Mr Major is determined that for now they should be barely visible to the naked eye.

Mrs Margaret Thatcher's decision last week to retire as an MP has diminished her capacity to lead a Tory revolt against the plan for a single currency she so abhors. But her successor sees no reason to tempt fate.

Conditional British consent to the inclusion of an "indicative" timetable for monetary union – meaning dates would be subordinate to sufficient convergence of inflation rates and budget deficits – removed one of the last significant obstacles to an Emu treaty.

Britain had already signalled that it was ready to see its plan for a common currency based on a "hard Ecu" incorporated into alternative proposals to strengthen the existing European currency unit.

The government's insistence on a "let-out" clause, providing for a separate decision by parliament before sterling could be subsumed in a single currency, should be taken care of by a new formula tabled at the summit. The formula suggests that no country could be excluded from the final stage of monetary union, but equally none could be compelled to participate.

The bargaining on political union will prove more difficult, above all on majority voting, the European parliament's powers and the social charter.

If Mr Major conceded much in those areas he might hand Mrs Thatcher the opportunity to lead a big revolt of Tory MPs. That suggests months more of tough bargaining.

But Mr Major has abandoned the absolutism of his predecessor. His officials calculate that in the end – and that may well prove to be during the last hours of the Maastricht summit – other governments will respond to the new approach by preferring a less-than-ambitious treaty to a British veto.

# Community leaders fix their gaze on Maastricht

ALTHOUGH the 12 EC leaders failed to narrow their key remaining differences on political and monetary union at this weekend's Luxembourg summit, they virtually swore on the Community bible that they would reach agreement by the Maastricht summit in December, writes David Buchan.

The only drama was provided by the EC's mediation bid in the Yugoslav crisis. The summit itself did little more than register existing divisions on:

● Political Union. Prime Minister Jacques Santer of Luxembourg, the summit host, said his country's 132-page draft treaty had been approved as "the basis of subsequent work" by negotiators. Only Belgium and the Netherlands complained about the draft structure's treaty, which puts foreign policy and police co-ordination outside standard EC decision-making machinery.

On defence, the summit communiqué said the immediate task was to work out "common guidelines" for the Nato summit in November, then to decide how to strengthen the EC "defence identity". President François Mitterrand, prime proponent of bringing defence within the EC, said this was "too timid" for his taste, but still left scope for satisfactory agreement on European defence by year-end.

On the European parliament's powers, Luxembourg wanted all to agree on the principle of giving Strasbourg an equal say to that of the Council of Ministers in making some laws. But the UK, Danish and Portuguese premiers balked. In the end the communiqué simply noted the importance of the 12 achieving consensus on "co-decision" for the parliament.

On social policy, targeted by most of Britain's partners for more majority voting, Mr John Major elaborated his government's particular distaste at having its labour market regulated from Brussels. In return for his non-confrontational tone, the UK leader received assurance that EC legislation would not touch "national social security and social protection schemes".

● Economic and Monetary Union (Emu). Britain's partners insisted on recalling their agreement last October on a timetable for Emu, with a 1994 start-date for a new EC monetary institution. So Mr Major felt compelled to recall his predecessor's objection to that timetable.

Mr Mitterrand dismissed the significance of the 11-to-one divide, saying the real bargaining would only come "five minutes" before Maastricht.

Fresh political ground was, however, broken, when Mr Santer set out his three principles for the final transition to Emu.

● Foreign policy. EC leaders confirmed their intention to extend technical aid to the Soviet Union into 1992, and to let Moscow borrow more from the European Bank for Reconstruction and Development.

But, in a dinner debate on what more to do to help Soviet President Mikhail Gorbachev salvage perestroika, it became clear that at the G7 summit in London the US and Japan will not come under pressure from EC participants to push large new amounts of money Moscow's way.

The 12 backed US peace efforts in the Middle East, while expressing continued concern for Kurdish refugees and calling for improved UN co-ordination of disaster relief in Iraq and elsewhere.

# Support for police links

RISING awareness that the EC single market might give criminals and drug-traffickers, as well as illegal immigrants, a freer ride around the Community has finally brought some support for Chancellor Helmut Kohl's long-standing call for greater European police co-operation, writes David Buchan.

Leaders backed "the objectives underlying" Mr Kohl's proposal for an EC equivalent of Interpol, now known as Europol. But Britain, Denmark and the Netherlands had serious reservations about any supranational police force.

The EC leaders have asked their interior ministers to produce, by their next summit in six months, proposals on harmonising immigration and asylum policies and on a joint crackdown on drug trafficking. The Twelve have signed a convention which says that, in the frontier-free Europe of 1993, requests for asylum should be handled by the government of the EC state through which the asylum-seeker first entered the Community.

But there is still no common policy on what sort of foreigners the Twelve should grant asylum to.

# French banks told to cut their costs

By George Graham in Paris

FRENCH BANKS must cut down on costs, improve productivity and tighten controls on credit risks if they are to cope with competition in the 1990s, the country's top bank supervisor has warned.

Mr Philippe Lagayette, deputy governor of the Bank of France and chairman of the Commission Bancaire, the central bank's supervisory arm, said profitability had declined last year as activity slowed and margins narrowed.

Average lending margins tightened to 5.6 per cent last year, against 5.76 per cent in 1989. Over the last four years, Mr Lagayette said, French banks had on average lost a full percentage point of margin.

Presenting the Commission Bancaire's annual report, he said costs had grown an average 6.5 per cent last year, leading to stagnation of gross operating profits. Despite a slowdown in risk provisions net profits also stalled.

Earlier this year market conditions appeared to be improving, with margins widening slightly and results from French banks' overseas branches recovering.

Mr Lagayette cautioned, however, that acting on lending margins would not be enough to ensure adequate profitability.

"This action must be completed by an effort to control costs, which are growing at a rhythm which is no longer compatible with the growth of banking income. Tougher competition will force the banks to amplify efforts to reduce operating costs by seeking productivity gains."

The Commission Bancaire warned about the expansion of bank loans to property developers. These loans have nearly tripled in the last two years to total FFr173.3bn (£17.43bn) at the end of 1990, but the Commission complained that several banks had inadequate control procedures for monitoring their risks in the property sector.

Mr Lagayette said, nevertheless, that the French banking system remained solid.

# Israel rushes to bring in 2,000 Soviet Jews

By Hugh Carnegy in Jerusalem and John Lloyd in Moscow

ISRAEL rushed more than 2,000 Soviet Jews into the country yesterday in an effort to bring in as many immigrants as possible ahead of new Soviet travel regulations which officials fear will slow the rate of the biggest migration to Israel since the early 1950s.

The Jewish Agency, the body responsible for immigration, organised dozens of extra flights over the past week to beat a Soviet regulation requiring all travellers to carry valid Soviet passports from today. Previously, Jewish emigrants required only visa papers. Those who hold an exit visa – currently numbering around 100,000 – must also now apply for a passport to leave, on the same basis as other Soviet citizens.

Until today, Jews who could show they were joining relatives abroad could leave without passports. The issuing of passports, even for short trips, is normally a time-consuming and arbitrary affair.

More than 12,000 Soviets arrived in the last week, bringing the total for June to more than 20,000, one of the biggest monthly influxes in a two-year migration which has seen some 300,000 Soviet Jews settle in Israel.

Officials expect the numbers to fall because of bureaucratic delays in distributing passports. They also admit privately that many potential immigrants are happy to wait to receive a passport because it offers them the chance later to return to the Soviet Union and may help them keep legal rights such as pensions which are not available to those who have come to date.

Worries about rising unemployment and a severe housing shortage in Israel also appear to be causing an immigration slowdown. But officials say they still expect the total to rise to 1m by mid-decade.

# Biggest copper mine set for indefinite strike

By Leslie Crawford in Santiago

OVER 9,000 miners at Chuquicamata, the world's biggest copper mine, were due to begin an indefinite strike today, barring an eleventh-hour breakthrough in pay talks with Codelco, the Chilean state copper company.

The stoppage marks the end of the honeymoon between labour and President Patricio Aylwin's 15-month-old government. It will shut down Chuquicamata for the first time since 1973, as strikes were forbidden at the vast open-pit mine in the middle of the Atacama desert during Gen Augusto Pinochet's 1973-1990 dictatorship.

Talks between Codelco and the powerful Copper Workers Federation (CTC) were taking place yesterday in a final effort to avert a stoppage that will cost the company $3m (£1.8m) a day. But there appeared to be little room for compromise. The unions, backed by a secret ballot last week in which 82 per cent of members voted for strike action, are demanding a pay increase of 9.95 per cent above inflation, longer holidays, a shorter working week and better bonuses.

Codelco, struggling to remain competitive with ageing and overmanned copper mines, says it can only afford to keep miners' pay in line with inflation, projected to be 18 per cent this year. It is offering a $1,000 no-strike bonus.

The conflict at Chuquicamata has concerns politics more than economic grievances. Codelco's miners are the best paid in Chile, earning on average over $1,000 a month. But the miners claim that restoration of democracy last year brought no changes to management style at Chuquicamata.

# Nigeria may prove World Bank's acid test

**William Keeling**, expelled from Lagos, looks at the regime's economic management

IT WAS entirely appropriate that Mr Barber Conable, the World Bank president, chose the new Nigerian capital of Abuja to deliver his sternest warning to date about the African crisis.

"Accountability, transparency, predictability, (and) adherence to the rule of law" were fundamental to development, Mr Conable warned African leaders gathered for the annual summit of the Organisation of African Unity, making clear that these would increasingly be the criteria on which the Bank's "scarce resources" would be allocated.

In the coming months Nigeria, recipient of loans worth some $4bn from the bank, may prove to be the acid test for this policy. Government accountability is undermined by inadequate accounting of the proceeds of the state-dominated oil sector; the principle of transparency is threatened by murky contracts; corruption comes before predictability; and the rule of law is often distorted by government diktat.

There may be governments on the continent as corrupt as Nigeria's, and there certainly are governments that are worse managed. But few, if any, compare with Nigeria in the scale of the problems that have to be confronted, the size of export earnings open to misappropriation, and the extent of external support for an economic reform programme seen as a critical test of the World Bank's formula for Africa's recovery.

Nearly one in five sub-Saharan Africans is Nigerian. The country's economy, fuelled by exports of some 1.6m barrels of oil per day, is second only to South Africa's, and foreign debt is nearly $35bn.

Nigeria went from boom to bust in under a decade as oil prices fell from their late 1970s peak, and the government of the day discovered that it was living beyond its means. Since the early 1980s the economy has been in distress, kept afloat by a succession of external debt reschedulings and aid.

The coup which brought President Ibrahim Babangida to power in August 1985 seemed a turning point. A radical economic reform programme was introduced the following year, while Mr Babangida made a commitment to return the country to civilian rule in 1992 long before other African leaders were forced to bow before the continent's new winds of change.

But as the military government approaches its final year in office, it is faced by mounting criticism.

The hopes for economic development are being undermined by a programme of largely wasteful extra-budgetary expenditure; and the transition programme to return the country to civilian rule suffers from the heavy hand of the soldier politicians.

Without economic probity, many observers believe, the political process will be undermined. Concern centres on five key issues:-

- The government failed to curb the funding of the white-elephant projects it inherited, foremost of which is the Ajaokuta steel plant. Originally estimated at $1.4bn (£875m), total expenditure has exceeded $4bn and donor officials say that an extra $2bn is required before it can begin production. As a result of its cost over-run, products from the plant will need to be heavily subsidised if they are to be competitive.

*Babangida: government faces growing criticism*

- The government has committed itself to construction of a $3.4bn aluminium smelter. The project is the subject of dispute between the government and its international creditors. Western diplomats estimate the cost of the 180,000 tonne a year smelter to be 60-100 per cent above the cost of similar smelters elsewhere in the world.

Government officials argue that the smelter is at the heart of plans to exploit Nigeria's substantial gas reserves with the 540 MW electricity station which will feed the plant being powered by gas.

Opponents of the project say the level of equity finance in relation to total cost at 20 per cent is too low and the project has been unable to attract any loans from the World Bank, commercial banks or export credit agencies.

Western diplomats say that disagreement over the project will jeopardise Nigeria's chances of receiving debt reduction from the Paris Club of creditor governments to which it owes $17.5bn. Government officials insist that the project remains a political priority, as indicated by the appointment of Alhaji Abubakar Alhaji, the minister of finance, as chairman of Aluscon, the company which will own the smelter.

- Donor officials estimate the cost of additional expenditure as a result of increasing military involvement in the sub-region at $250m-$500m, including a contract to buy 150 tanks from Vickers of the UK. Nigeria is the leading participant of the West African force that intervened in the Liberian civil war last August and troops are also involved in suppressing a rebel incursion in Sierra Leone.

- The recent OAU summit is estimated to have cost at least $150m, inflated by the tight timetable for construction of facilities following the decision last year to hold the conference away from the OAU headquarters in Addis Ababa. The summit was a lavish affair with estimated cost of Mercedes limousines bought to transport visiting heads of state exceeding the level of contributions made last year by member countries to the organisation.

- As a result of the high level of public expenditure, the potential benefits of the windfall gained last year from higher than anticipated oil-earnings resulting from the Gulf crisis may have been lost. Oil export receipts last year amounted to $13.2bn, up from $7.5bn in 1989, and government officials say that additional earnings have been used to boost foreign exchange reserves.

Although foreign assets declared by the Central Bank have more than doubled in the past year to over $4bn, western diplomats report that this encompasses items which should not be included, such as the reserves held by the Nigerian National Petroleum Corporation for oil-sector development.

Indeed, economists working for donor agencies, which estimate the windfall at $5.2bn, say that at least $3bn is not accounted for in Central Bank figures for the period between July 1990, and May this year.

As the return to civilian rule approaches, the legacy of the current government is in danger of being that of an economy weakened by a heavy and unjustified spending programme. As recent events bear witness, economic development is not so dependent on higher export earnings, but on transparent and accountable government.

# Oil producers to confer with consumers in Paris

REPRESENTATIVES of 25 nations meet in Paris today and tomorrow for the first high-level conference between oil producers and oil consumers since 1975, George Graham reports.

Sixteen years ago, in the wake of the 1973-74 Arab oil embargo, a similar meeting in Paris failed dismally. This time France and Venezuela, the conference's two organisers, have limited the meeting's scope to avoid it turning into a confrontation over oil prices.

Mr Dominique Strauss-Kahn, France's minister for industry and foreign trade, says: "It is more like a scientific seminar than a trade union bargaining session." Even though the French government denies any desire to interfere with the oil market, it clearly believes the market can be made to function more smoothly with more guidance from governments.

Mr Strauss-Kahn cites the example of the Group of Seven industrial countries, which help to set a framework for exchange and interest rate movements without preventing the currency market's free working.

He appears to believe a more open exchange of information could help smooth many unnecessary fluctuations in the market. But the French minister insists he has no intention of proposing the sort of market intervention that the G7 undertakes in the foreign exchange market.

France's and Venezuela's claims that the Paris conference is not an attempt to fix oil prices have reassured oil producers more than consumers. All the producing countries invited to the conference – from Saudi Arabia and Iran to Indonesia and the Soviet Union – are to be represented at ministerial level.

Mr Ginanjar Kartasasmita, Indonesian minister of mines and energy, says: "The consultation is necessary, not for dictating a certain level of price, but for stabilising prices and preventing fluctuation which can cause loss to both sides."

# Two die as Algerians call for Islamic state

AT LEAST two people were killed and three wounded in clashes between police and Moslem fundamentalists in Algiers yesterday, eyewitnesses said, Reuter reports from Algiers.

The firing was some of the heaviest in the latest round of clashes between the security forces and fundamentalists demanding an Islamic state and changes in the election laws.

The military said youths had defied an 11pm-3.30am curfew, thrown up barricades and stoned troops. The Algerian news agency APS said it had received a communiqué threatening violence if the authorities did not announce dates for general and presidential elections within 20 days.

## Major sends envoy

Mr John Major, UK prime minister, has sent a personal envoy to Beijing to try to persuade China's leaders to negotiate a settlement over Hong Kong's proposed new airport, with a formula for governing the colony till it returns to Chinese sovereignty in 1997, John Elliott reports from Hong Kong.

Sir Percy Craddock, Mr Major's foreign affairs adviser, flew to Beijing at the end of last week. China has been using the airport plan to try for extensive control over Hong Kong before 1997.

## Japan visit cancelled

Pakistan's Prime Minister, Mr Mian Nawaz Sharif, has cancelled a five-day visit to Japan due to begin today because of increasing violence in Pakistan, Farhan Bokhari reports from Islamabad.

Some 19 people have been killed in Lahore and Sheikhupura, cities of Punjab province, during the past week. Public protests were held in Lahore against the killings.

## Lebanese flee

Thousands of civilians have fled in fear of a showdown between the Lebanese army and Palestinian guerrillas in south Lebanon, security sources said yesterday, Reuter reports from Sidon.

**INTERNATIONAL NEWS**

# US could shelve Uruguay Round talks, EC told

By **Peter Norman**, Economics Correspondent

THE European Community has been given a warning that the US would shift its negotiating resources to completing its planned free trade pact with Canada and Mexico, if insufficient progress was made in the Uruguay Round of trade liberalisation talks by the end of next month.

Mr Harry Freeman, executive director of the MTN Coalition, a pro-Uruguay Round trade group representing 14,000 US companies, said there was a great sense of frustration over the round in the US, along with a "general feeling that the enemy is the EC".

At the American Chamber of Commerce in London, Mr Freeman said the US wanted a "maxi-agreement" in the Uruguay Round, meaning substantial agreement in all the 15 originally agreed negotiating areas.

The US regarded the talks, talking place under the General Agreement of Tariffs and Trade (Gatt), as the first real opportunity to write trade rules for the whole world, because China and the Soviet Union want to join Gatt.

Also, US attitudes had been influenced by a belief that this would be the last of the traditional trade rounds because it had become so difficult to negotiate with more than 100 Gatt members.

Mr Freeman said he saw Britain as a strong US ally. A failure of the Uruguay Round would be a crippling blow to Gatt and increase the danger of trade being divided between blocs of countries.

The problem of liberalising agricultural trade had to be solved fairly quickly. The final trade agreement would also have to produce enough US "winners" to ensure congressional approval. Mr Freeman also called for Gatt to be given a higher status, with a president who should be a former elected official.

# Washington fires new telecoms salvo

By **Hugo Dixon**

THE US has fired its latest salvo in attempts to drive down the price of international telephone calls. Last week it proposed a series of reforms to the complex accounting rate system blamed for keeping international charges artificially high.

The State Department's proposals are its submission to a meeting of the International Telegraph and Telephone Consultative Committee (CCITT), the Geneva-based phone club, in early September.

The US believes the high level of accounting rates, which determine how much phone companies in different countries pay each other for delivering calls, is preventing prices paid by customers from falling. It is also unhappy because it pays out $3bn (£1.8bn) a year more than it receives under the system.

The CCITT, which is responsible for how the system is run, has agreed to discuss reform options following mounting criticism by countries which feel penalised by the system. A Financial Times investigation last year concluded customers across the world were being overcharged more than $10bn annually for international calls.

The US is likely to receive support from Australia, Canada and Sweden, all of which suffer substantial deficits, in its campaign to bring down accounting rates. However, observers predict there will be a fierce battle as many countries, particularly in the developing world, rely on accounting rate payments as an important source of foreign exchange.

France also appears likely to oppose the proposals.

# Setback for Fianna Fail

By **Kieran Cooke** in Dublin

FIANNA FAIL, the party led by Mr Charles Haughey, the Irish prime minister, has suffered serious setbacks in local elections while left-wing and independent parties have made strong gains.

Final results over the weekend showed Fianna Fail to have lost control on a number of councils, with the party's overall vote down to 38 per cent from 45 per cent at the last local election in 1985. Mr Haughey dismissed any suggestion that he should resign as party leader. He said the local elections would not affect his party's policy and promised he would lead the party into the next general election.

Fine Gael, the main opposition party, also lost ground, but the small Irish Labour party made substantial gains, almost doubling its number of council seats. Ireland's Green Party won a number of seats.

The east German economy has had a traumatic 12 months since monetary union

# Treuhand sell-off gains momentum

By **David Goodhart** in Berlin

THE east German economy has had a traumatic time in the 12 months since German monetary union on July 1 1990, and no less so the Treuhand agency charged with privatising it.

Privatisation is finally gaining momentum but today's anniversary will not be cause for celebrating in the streets; it falls on the day that various employment protection measures in east Germany are terminated, which will probably cause unemployment to double by the end of the year from the current 900,000.

The engineering industry's one-year ban on job losses, which has been fairly strictly observed, falls away, as do the jobs of hundreds of thousands of former East German civil servants.

Many of the 1.9m workers on short time will also stop receiving a company top-up and will have to make do with support from Bonn that is little more than unemployment benefit.

The Treuhand itself intends to shed by the end of the year half the 2.8m workers in its 8,000-plus enterprises.

Is a "hot autumn" of factory occupations likely? Mrs Birgit Breuel, head of the Treuhand, dismisses such talk as irresponsible and praises the "immense common sense" of the east Germans. But she admits to being shocked at how many people she has met who yearn for the certainties of the old communist regime.

Speaking to the Financial Times before a one-week marketing tour of Japan, she was cautious about raising false hopes. Her less restrained officials say the time is ideal for a "second wave" of privatisation. Most of the political and legal uncertainties of the first wave (such as those surrounding property ownership) have been dealt with; there is no need to buy blind, thanks to better information about companies (4,000 have certified balance sheets); and there are still many bargains, thanks to the Treuhand's willingness to cover most risks and virtually give companies away if a buyer is prepared to invest.

Uncertainties remain – over the procedure in competitive bids and the legal status of investment pledges – but 2,200 companies have been sold, bringing promises of DM60bn (£20.4bn) in new investment. In May alone 544 companies were sold, more than for the whole of 1990, and 15 to 20 deals are struck each day.

The building sector, breweries, sugar, retailing, publishing, hotels and energy are all virtually sold out. And Mrs Breuel reveals that three of the Treuhand's 15 regional offices – Rostock, Schwerin and Cottbus – hope to have sold all their companies by year's end.

Foreigners remain cautious and have bought only 81 companies, mainly through west German subsidiaries. France leads the field with 18 purchases, Switzerland 14, Sweden nine and the US eight. Officials admit some may have looked too soon, before the "second wave" benefits emerged.

Beside Mrs Breuel's desk sits a small photograph of Mr Detlev Rohwedder, the Treuhand's first leader, who was shot dead by terrorists in April.

When he agreed at the time of monetary union to take over the organisation, then based in East Berlin's Alexanderplatz, it had 400 staff and scarcely a facsimile machine or phone connected to the west. Most of the senior staff were former officials of the old regime, many of whom had doubts about the priority given to privatisation.

By contrast, Mrs Breuel, a rather stern 53-year-old, now sits in Berlin's biggest and most forbidding office block, built in 1936 for the Luftwaffe, and presides over an organisation of 3,000 people. Most of the senior staff in Berlin and the regional offices are west German businessmen, and the organisation is so well equipped that people from neighbouring rooms send faxes to each other.

It is, however, an organisation still in its formative stages.

Officials confide that the chaos of the first few months has subsided but that qualified staff are still lacking in the crucial area of company sales. "To begin with, the organisation was far too reactive, merely rubber-stamping deals that had been done between west German companies and east German bosses," one official says.

Birgit Breuel: cautious

To the fury of ordinary workers, many of those deals gave privileges to their bosses. Mrs Breuel is aware of the anger but says most of the required expertise has now been assembled and "we are learning by doing".

She says it is unrealistic to talk of bringing in 30,000 west German managers to replace the east German bosses who mainly pre-date the revolution. But she stresses that 2,000 principally west German non-executive chairmen are in place, which is encouraging "twinning" between west and east German companies.

# Soviet jobless benefit marks end of an era

THE GROWING number of unemployed in the Soviet Union can expect to receive a minimum benefit once they register as jobless from today – as the era providing an iron guarantee of work officially ends, writes John Lloyd in Moscow.

That guarantee has been breached more often than observed in recent years as enterprises laid off workers without pay to avoid bankruptcy.

Many plants keep going on cheap government credits or by extending loans to each other – a practice which is likely to end as subsidies are withdrawn.

Only 10 per cent of the unemployment benefit will be paid by central authorities, with the remainder made up by republics. Rates will differ widely – with Russia being among the most generous, guaranteeing 45 to 75 per cent of salary for the first three months of unemployment. Businesses must pay 1 per cent of profits in tax to fund the benefits.

Forecasts of unemployment levels vary widely. The Institute of Employment Problems said 7m people would lose their jobs by the end of the year. The National Foundation for Protection Against Unemployment has forecast 11m unemployed in 1991.

# Madrid deregulation proves no model for single market

Spain has kept an enviable quota in the hands of a government-owned refinery, writes **Tom Burns**

POWERS to break up national cartels have become an important weapon in the European Commission's battle to ensure that the single market does not just favour the corporate few.

THE EUROPEAN MARKET

But recent events surrounding the dissolution of Spain's once all-powerful government petroleum distribution monopoly show that the EC's competition authorities can still be frustrated by national governments acting on behalf of national champions.

Seen from Brussels, the Spanish government's deregulation looks suspiciously like a case of changing things so that everything remains more or less the way it was before. It has allowed in, malgré lui, two European multinationals but it has kept an enviable market quota in the hands of the government-owned refinery.

Critics say Madrid has not so much opened up the lucrative sector to foreigners as forced them into buying high-priced domestic companies in order to gain a beach-head in Spain. And if things had gone as the government had originally hoped, British Petroleum and France's Elf Aquitaine would never have acquired their present market share.

"The proof that we have not put up any obstacles is the way in which BP and Elf have entered our market," says Industry Minister Claudio Aranzadi. But EC officials remain unconvinced, and believe that far from being an exemplary case study of deregulation, the break-up of the Spanish petroleum monopoly has been marked by discrimination against foreigners from beginning to end.

The story began in the run-up to Spain's 1986 entry into the EC when the four private Spanish refiners that then existed were given a stake in the monopoly distributor Campsa, which remained in the control of Repsol, the holding company of the state's energy interests.

Its final chapter will be written at the end of this month when Campsa's 4,000-or-so petrol stations are divided up among the company's three remaining shareholders, Repsol, Cepsa – since last year part-owned by Elf – and Petromed, which BP bought last month. Repsol, which acquired one of the private refiners, Petronor, in 1988, will gain the lion's share of the distribution points by virtue of its 65 per cent stake in Campsa and will keep the Campsa brand name as well.

Cepsa, which purchased a second private refiner, ERT, in a deal with Elf earlier this year, will stand to gain around 25 per cent of the gas stations;BP's subsidiary, Petromed will obtain the remainder.

At face value, the carve-up of Campsa does look as if it has been conducted by a diligently European-minded administration. After all, nowhere else in Europe outside their home bases do BP and Elf, which is due to raise it 20 per cent shareholding in Cepsa to 35 per cent, control such a sizeable proportion of the market as they do in Spain.

The truth, however, is that it was never the government's intention to let the two multinationals into Spain when it drew up the blueprint for the end of Campsa's monopoly. The government's decision, in advance of EC entry, to diversify Campsa's shareholding among the domestic private companies was only a token gesture towards the Commission's deregulation rulings, a key element of which is that the break-up of monopolies should not involve discrimination towards foreigners.



What the government had hoped for when it drew the domestic refiners into Campsa's shareholding, was that Cepsa and Petromed would join forces and that the spoils of the petroleum monopoly would be divided between Repsol and a strong private-sector company. The plan looked feasible when in 1989 Banesto, which then was Petromed's main shareholder, and Banco Central, which remains the chief shareholder of Cepsa, announced a banking merger. That linkup was stillborn and so was the union of the two biggest private refiners.

Both banks then looked to foreign companies to buoy up their oil assets, Central inviting Elf in as a major partner and Banesto opting to sell its stake in Petromed to BP, thus paving the way for the UK company's bid for outright ownership of the refiner. While BP and Elf may have a strong position in the domestic market as a result of the carve-up, Spain's retail petrol market is as good as closed to other European distributors.

Madrid, in the Commission's view, has also been found wanting over a complex issue that involved the authorisation of additional service stations, which would allow foreign oil companies to distribute their products in Spain. Only with reluctance did the government alter rulings on the mandatory distance between service stations and create what was known as the parallel distribution network alongside Campsa's monopoly network.

The parallel network consists of some 700 service stations against the more than 4,000 Campsa ones. It has proved to be unenticing to the foreigners, because all the best locations were already taken up by the existing network.

The Commission believes that new entrants into the Spanish market have taken up less than 100 options for distribution in the new network and that the overwhelming majority of the extra stations will be serviced by Repsol, Cepsa and Petromed, either directly or through subsidiary companies.

Repsol and the Spanish government have every reason to feel satisfied with deregulation Madrid-style. BP and Elf certainly have little to complain about.

But other leading European oil companies, such as Shell and Total, for example, have cause to feel disgruntled; the Commission will certainly not be touting the episode as a model for the single market.

## INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

**UNITED STATES**

| | Retail sales volume | Industrial production | Unemployment rate | Vacancy rate indicator | Composite leading indicator |
|---|---|---|---|---|---|
| 1984 | 95.3 | 98.3 | 7.4 | 96.0 | 98.4 |
| 1985 | 100.0 | 100.0 | 7.1 | 100.0 | 102.9 |
| 1986 | 105.7 | 101.0 | 6.9 | 97.8 | 106.0 |
| 1987 | 108.3 | 105.9 | 6.1 | 105.0 | 109.8 |
| 1988 | 112.2 | 111.6 | 5.4 | 106.2 | 114.4 |
| 1989 | 114.7 | 114.5 | 5.2 | 99.4 | 113.3 |
| 1990 | 114.2 | 115.7 | 5.4 | 84.3 | 109.5 |
| 2nd qtr.1990 | −0.2 | 0.9 | 5.3 | 88.0 | 114.5 |
| 3rd qtr.1990 | −1.2 | 2.2 | 5.5 | 83.5 | 111.9 |
| 4th qtr.1990 | −2.1 | 0.3 | 5.8 | 72.7 | 109.5 |
| 1st qtr.1991 | −4.2 | -2.3 | 6.4 | 63.7 | 111.4 |
| June 1990 | 0.1 | 1.6 | 5.2 | 86.8 | 114.5 |
| July | 0.0 | 2.4 | 5.4 | 87.0 | 113.9 |
| August | −1.8 | 2.1 | 5.6 | 83.5 | 113.0 |
| September | −1.8 | 2.2 | 5.6 | 79.8 | 111.9 |
| October | −1.2 | 2.0 | 5.6 | 76.3 | 110.2 |
| November | −1.5 | 0.2 | 5.9 | 71.0 | 109.6 |
| December | −3.5 | −1.3 | 6.0 | 70.9 | 109.5 |
| January 1991 | −5.9 | −0.6 | 6.1 | 65.8 | 110.0 |
| February | −3.5 | −2.6 | 6.4 | 64.0 | 110.6 |
| March | −3.3 | −3.6 | 6.8 | 61.3 | 111.4 |
| April | | −3.2 | 6.5 | | 111.5 |
| May | | −3.3 | | | |

**JAPAN**

| | Retail sales volume | Industrial production | Unemployment rate | Vacancy rate indicator | Composite leading indicator |
|---|---|---|---|---|---|
| 1984 | 96.7 | 96.4 | 2.7 | 100.5 | 93.9 |
| 1985 | 100.0 | 100.0 | 2.6 | 100.0 | 96.5 |
| 1986 | 106.4 | 99.7 | 2.8 | 94.3 | 105.2 |
| 1987 | 113.5 | 103.1 | 2.8 | 108.3 | 115.2 |
| 1988 | 122.7 | 112.9 | 2.5 | 135.9 | 122.7 |
| 1989 | 132.7 | 119.9 | 2.3 | 147.0 | 126.0 |
| 1990 | 141.9 | 125.3 | 2.1 | 149.7 | 123.7 |
| 2nd qtr.1990 | 14.5 | 3.6 | 2.1 | 149.0 | 125.0 |
| 3rd qtr.1990 | 7.6 | 6.9 | 2.1 | 146.4 | 124.5 |
| 4th qtr.1990 | 2.8 | 6.9 | 2.1 | 153.2 | 123.7 |
| 1st qtr.1991 | 3.1 | 6.0 | 2.0 | 148.1 | 123.9 |
| June 1990 | 12.9 | 3.1 | 2.2 | 148.1 | 125.0 |
| July | 8.6 | 7.1 | 2.1 | 152.5 | 125.3 |
| August | 6.6 | 5.1 | 2.1 | 145.7 | 124.9 |
| September | 7.5 | 5.5 | 2.2 | 141.3 | 124.5 |
| October | 2.5 | 8.0 | 2.2 | 157.6 | 123.9 |
| November | 3.0 | 6.6 | 2.1 | 148.2 | 123.5 |
| December | 3.0 | 6.1 | 2.1 | 153.7 | 123.7 |
| January 1991 | 4.3 | 7.7 | 2.0 | 153.3 | 123.8 |
| February | 2.4 | 8.9 | 2.0 | 148.5 | 124.0 |
| March | 2.5 | 3.5 | 2.1 | 142.6 | 123.9 |
| April | | 3.8 | 2.1 | 152.6 | 123.6 |
| May | | 3.9 | | | |

**GERMANY**

| | Retail sales volume | Industrial production | Unemployment rate | Vacancy rate indicator | Composite leading indicator |
|---|---|---|---|---|---|
| 1984 | 98.2 | 96.4 | 7.1 | 83.4 | 99.8 |
| 1985 | 100.0 | 100.0 | 7.2 | 100.0 | 103.9 |
| 1986 | 103.6 | 102.5 | 6.4 | 136.4 | 103.5 |
| 1987 | 107.4 | 102.8 | 6.2 | 149.4 | 104.5 |
| 1988 | 110.5 | 106.5 | 6.2 | 164.7 | 110.6 |
| 1989 | 113.6 | 111.8 | 5.6 | 218.9 | 113.3 |
| 1990 | 122.7 | 117.5 | 5.1 | 261.4 | 113.9 |
| 2nd qtr.1990 | 5.9 | 4.7 | 5.2 | 263.7 | 114.0 |
| 3rd qtr.1990 | 12.7 | 5.6 | 5.1 | 263.8 | 115.1 |
| 4th qtr.1990 | 8.1 | 5.1 | 4.7 | 258.7 | 113.9 |
| 1st qtr.1991 | 11.8 | 4.8 | 4.5 | 269.7 | 111.7 |
| June 1990 | 5.2 | 4.4 | 5.2 | 266.2 | 114.0 |
| July | 14.2 | 5.1 | 5.1 | 268.3 | 114.8 |
| August | 11.6 | 5.6 | 5.1 | 265.8 | 116.2 |
| September | 12.5 | 6.2 | 5.0 | 257.5 | 116.1 |
| October | 8.3 | 6.2 | 4.8 | 254.8 | 114.6 |
| November | 9.2 | 5.5 | 4.7 | 258.7 | 114.5 |
| December | 6.7 | 3.8 | 4.6 | 263.1 | 113.9 |
| January 1991 | 14.0 | 5.9 | 4.5 | 266.0 | 112.7 |
| February | 9.9 | 4.0 | 4.5 | 267.2 | 112.1 |
| March | 11.1 | 4.6 | 4.4 | 273.6 | 111.7 |
| April | 7.8 | 5.7 | 4.4 | 278.8 | 111.6 |
| May | | | | 261.3 | |

**FRANCE**

| | Retail sales volume | Industrial production | Unemployment rate | Vacancy rate indicator | Composite leading indicator |
|---|---|---|---|---|---|
| 1984 | 98.3 | 99.3 | 9.7 | 99.3 | 98.1 |
| 1985 | 100.0 | 100.0 | 10.2 | 100.0 | 101.4 |
| 1986 | 102.4 | 101.2 | 10.4 | 107.4 | 108.1 |
| 1987 | 104.5 | 103.1 | 10.5 | 118.0 | 107.2 |
| 1988 | 107.9 | 107.3 | 10.0 | 134.6 | 111.9 |
| 1989 | 109.6 | 111.2 | 9.4 | 159.1 | 111.4 |
| 1990 | 110.1 | 112.5 | 9.0 | 163.0 | 105.4 |
| 2nd qtr.1990 | 1.6 | 1.0 | 9.0 | 170.7 | 110.4 |
| 3rd qtr.1990 | −0.5 | 2.2 | 9.0 | 162.6 | 106.7 |
| 4th qtr.1990 | 0.6 | -0.3 | 9.0 | 146.3 | 105.4 |
| 1st qtr.1991 | −0.4 | 0.6 | 9.2 | 130.3 | 105.5 |
| June 1990 | 1.6 | 1.0 | 9.0 | 161.8 | 110.4 |
| July | 0.7 | 2.3 | 9.0 | 163.4 | 109.6 |
| August | −1.2 | 2.3 | 8.9 | 164.5 | 108.3 |
| September | −1.1 | 2.1 | 9.0 | 159.7 | 106.7 |
| October | 4.2 | 1.3 | 9.0 | 154.5 | 105.6 |
| November | −2.8 | −0.6 | 9.0 | 146.5 | 105.4 |
| December | 0.6 | −1.6 | 9.0 | 138.1 | 105.4 |
| January 1991 | −0.3 | 1.3 | 9.1 | 134.4 | 105.2 |
| February | −1.6 | 2.1 | 9.2 | 127.5 | 105.2 |
| March | 0.6 | −1.7 | 9.3 | 129.3 | 105.5 |
| April | | −0.3 | 9.4 | 126.5 | 106.5 |
| May | | | | | |

**ITALY**

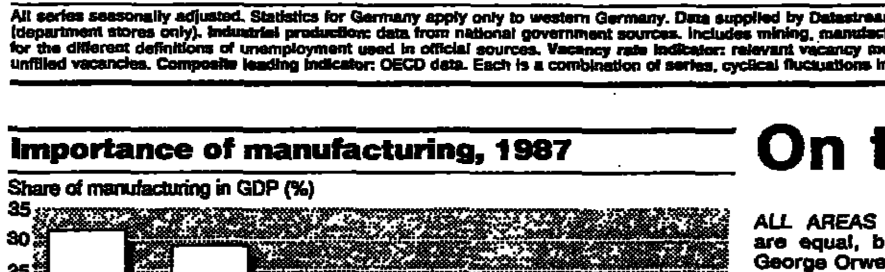
| | Retail sales volume | Industrial production | Unemployment rate | Composite leading indicator |
|---|---|---|---|---|
| 1984 | 95.4 | 96.5 | 9.3 | 101.2 |
| 1985 | 100.0 | 100.0 | 9.6 | 103.8 |
| 1986 | 107.6 | 103.2 | 10.4 | 110.5 |
| 1987 | 113.4 | 106.8 | 10.9 | 112.7 |
| 1988 | 109.7 | 114.2 | 10.9 | 117.6 |
| 1989 | 117.4 | 118.7 | 10.9 | 115.9 |
| 1990 | | 117.9 | 9.8 | 112.8 |
| 2nd qtr.1990 | −4.5 | 0.9 | 9.7 | 115.8 |
| 3rd qtr.1990 | | −1.2 | 9.8 | 114.7 |
| 4th qtr.1990 | | −4.2 | 9.8 | 112.8 |
| 1st qtr.1991 | | −1.8 | 10.0 | 113.5 |
| June 1990 | −2.3 | −0.8 | n.a. | 115.8 |
| July | −3.6 | −1.3 | n.a. | 115.2 |
| August | −4.3 | −1.1 | n.a. | 114.6 |
| September | | −1.2 | n.a. | 114.7 |
| October | | −3.0 | n.a. | 114.2 |
| November | | −4.1 | n.a. | 113.6 |
| December | | −5.5 | n.a. | 112.8 |
| January 1991 | | 0.0 | n.a. | 112.3 |
| February | | −2.5 | n.a. | 112.5 |
| March | | −2.9 | n.a. | 113.5 |
| April | | −4.1 | n.a. | 114.7 |
| May | | | n.a. | |

**UNITED KINGDOM**

| | Retail sales volume | Industrial production | Unemployment rate | Vacancy rate indicator | Composite leading indicator |
|---|---|---|---|---|---|
| 1984 | 95.6 | 94.8 | 11.7 | 93.7 | 100.7 |
| 1985 | 100.0 | 100.0 | 11.2 | 100.0 | 102.4 |
| 1986 | 105.2 | 102.4 | 11.2 | 116.1 | 105.3 |
| 1987 | 110.7 | 105.7 | 10.3 | 141.2 | 109.6 |
| 1988 | 117.7 | 109.6 | 8.5 | 144.3 | 108.4 |
| 1989 | 119.9 | 109.9 | 7.1 | 124.2 | 106.2 |
| 1990 | 120.4 | 109.1 | 6.9 | 97.8 | 102.6 |
| 2nd qtr.1990 | 1.2 | 2.5 | 6.7 | 106.8 | 105.2 |
| 3rd qtr.1990 | 0.6 | −2.0 | 6.9 | 93.8 | 104.1 |
| 4th qtr.1990 | -1.2 | −3.3 | 7.3 | 76.3 | 102.6 |
| 1st qtr.1991 | -0.7 | −3.1 | 8.2 | 82.0 | 103.0 |
| 1990 June | 0.8 | 4.4 | 6.7 | 104.2 | 105.2 |
| July | 2.3 | −0.6 | 6.8 | 97.1 | 105.1 |
| August | -0.4 | −2.6 | 6.9 | 94.5 | 104.5 |
| September | -0.1 | −2.4 | 6.9 | 89.7 | 104.1 |
| October | -0.9 | −2.3 | 7.0 | 80.8 | 103.7 |
| November | -1.4 | −3.5 | 7.3 | 75.0 | 103.2 |
| December | -1.2 | −4.1 | 7.6 | 72.9 | 102.6 |
| 1991 January | -1.5 | −3.8 | 7.8 | 81.5 | 102.0 |
| February | -2.6 | −2.1 | 8.1 | 83.3 | 102.3 |
| March | 1.8 | −3.4 | 8.6 | 81.3 | 103.0 |
| April | -2.1 | −6.8 | 8.9 | 70.9 | 103.6 |
| May | -2.9 | | | 62.7 | |

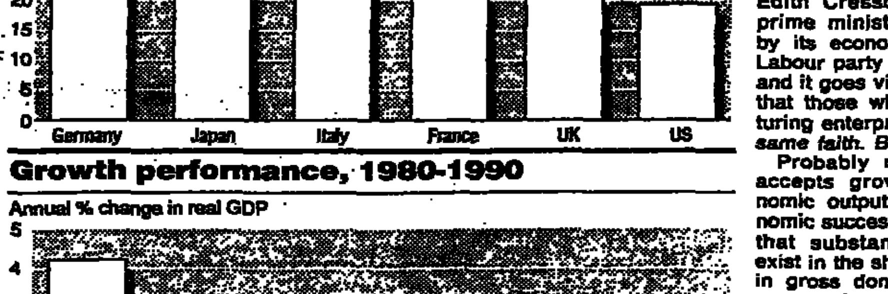
All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US - help wanted advertising, Japan - new vacancies, Germany and France - all jobs vacant, Italy - no data available, UK - unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which generally precede cyclical fluctuations in general economic activity.

**Importance of manufacturing, 1987**





**Growth performance, 1980-1990**





Growth rates are semi-logarithmic fitted trends

# On the (un)importance of manufacturing

ALL AREAS of economic activity are equal, but manufacturing, as George Orwell would have said, is more equal than others. So Mrs Edith Cresson, the new French prime minister, believes; judged by its economic programme, the Labour party holds a similar view; and it goes virtually without saying that those who manage manufacturing enterprises hold hard to the same faith. But is it true?

Probably not, at least if one accepts growth of overall economic output as the test of economic success. The chart indicates that substantial differences do exist in the share of manufacturing in gross domestic product (GDP) among the six largest industrial countries. It also shows that between 1980-90 there were substantial differences in rates of overall economic growth. But – unhappily for those who believe manufacturing industry is the key to economic success – there was no correlation between the two.

Germany had the largest manufacturing sector in relation to GDP. But in the 1980s German GDP grew slower than that of all the other countries.

Meanwhile the US and UK, the two countries with the lowest share of manufacturing in GDP, had the second and third highest rates of economic growth respectively. Their growth rates were surpassed only by that of Japan.

Japan also had a high share of manufacturing in GDP. But then Japan seems to be the exception that proves any economic rule.

Such data can hardly be conclusive. Some may argue, for example, that relative size is not a good indicator of industrial prowess. But many would happily agree that Japan and Germany have the strongest manufacturing sectors.

Some may also argue that a decade is not long enough to assess economic performance. Both the US and the UK are now in recession. Meanwhile Germany is growing rapidly. Thus the picture may soon change in the more expected direction. But the source of the present rapid German economic growth is unification, not the strength of German manufacturing.

If a relatively large manufacturing sector is not a sign of overall economic strength, of what is it a sign? It is an indication of a large trade surplus in manufactures. The proportion of income spent on manufactures does not differ much among countries with comparable incomes per head. Accordingly, the relative size of the manufacturing sector is closely related to a country's trade position.

In 1988, Japan and Germany had trade surpluses in manufactured goods of $180bn (£109.7bn) and $114bn respectively, equal to 22 and 30 per cent of value added in manufacturing, while Italy's surplus was $28bn (15 per cent). Meanwhile, France had a deficit of $7bn (3 per cent of value added in manufacturing), the US of $121bn (14 per cent) and the UK of $29bn (19 per cent). These surpluses and deficits (adjusted for the sizes of the manufacturing sectors) are closely correlated with the relative size of manufacturing among these countries (see chart).

Large surpluses and deficits in manufacturing are explained by resource endowments and by capital flows. Countries poor in natural resources, like Japan, Germany and Italy, depend on manufactures for virtually all their exports and import substitutes. France has more agriculture, the UK has oil and the US a range of natural resource products.

More important, in a world of integrated capital markets a country with desired savings in excess of desired domestic investment will generate a current account surplus. Such a surplus necessitates an excess of production of tradable goods and services over consumption. In the case of industrial countries that converts virtually automatically into the surpluses in manufactures seen for so long in Japan and Germany.

That the surplus can dwindle without weakening the economy can be seen in Germany. As savings have been absorbed domestically in the reconstruction of eastern Germany, the trade surplus has diminished rapidly. In April 1991 it disappeared altogether.

The share of output of manufactures in all-German GDP will probably be lower than it used to be in west Germany. But this is no sign of economic weakness. On the contrary, it reflects a newly refound economic dynamism.

**Martin Wolf**

● *In recent weeks the FT has published the following tables: National Accounts (May 13), Prices and Competitiveness (June 10), Balance of Payments (June 17), and Money and Finance (June 24). Back issues can be obtained by writing to the Back Issues Department at the FT or by telephoning 071-873-4683/4*

MONDAY JULY 1

...uel: cautious

market

Tom Burns

# Labour's opinion poll lead over Conservatives cut

By Ralph Atkins

LABOUR'S national lead over the Tories has fallen to 1 or 2 percentage points, according to weekend opinion polls which come as the opposition party prepares to fend off a rebel Labour challenge in Thursday's Liverpool Walton by-election.

After recent opinion polls pointing to a lead as high as 10 per cent, Labour's advantage over the Conservatives has been cut to 2 percentage points in a Sunday Times/Mori poll and 1 percentage point according to an NOP poll for The Mail on Sunday.

The weakening of support prefaces what could be an uncomfortable week for Labour in Liverpool Walton, where it is hoping for a convincing win over the rebel Labour candidate. It will cheer Conservatives, suggesting splits over Europe have not been as damaging as feared.

The campaign team of Mr Peter Kilfoyle, the official Labour candidate, launched a vigorous onslaught on Ms Lesley Mahmood, the rebel "Real Labour" candidate at the weekend, linking her to the extremist Militant group of revolutionary socialists.

A Labour leaflet said Ms Mahmood, who has been expelled from the party, was a "prominent member of the Militant tendency, attending their meetings and writing for the Militant newspaper".

A stronger than expected performance by Ms Mahmood will be seized by the Conservatives to embarrass the Labour leadership. Labour is seeking to turn the contest into a referendum on the running of Liverpool.

Meanwhile, the Liberal Democrats attempted to gear up their campaign at the weekend and said 600 party activists had distributed leaflets in the constituency twice. Liberal Democrat officials said the contest was now clearly between their candidate and the official Labour candidate.

Local opinion polls suggest Labour will win with a comfortable majority on Thursday, with the Liberal Democrats second. Ms Mahmood is expected to come third with the Conservative candidate fourth.

Nationally, the Conservatives are likely to have been encouraged by yesterday's opinion polls, although the revival in their fortunes may prove shortlived.

Labour would not comment publicly but appeared to believe that because the polls were carried out before Mrs Margaret Thatcher's announcement of her retirement as an MP they might reflect sympathy for Mr John Major because of the disruption caused by his predecessor.

Labour officials appeared to accept that the Liverpool contest might have damaged the party's standing in the short term. They remain convinced, however, that the party's "bedrock" support has remained consistent at about 40 per cent.

The Sunday Times/Mori poll, which put Labour at 41 per cent against the Conservatives 39 per cent and the Liberal Democrats 15 per cent, showed voters have become gloomier about economic prospects.

The Mail on Sunday/NOP poll put Labour on 42 per cent, the Tories on 41 per cent and the Liberal Democrats on 13 per cent.

## ATI deals traced in report to creditors

By Clay Harris

ADVENTURE Travel International, the school tours operator whose failure has already cost the Association of British Travel Agents more than £1.7m, is unlikely to recoup a £77,220 loan it made to a property company owned by its directors.

The disclosure of the loan and subsequent transactions, in a report to ATI's creditors, throws more light on the company's business methods before it ceased trading on March 27, owing more than £2.5m.

ATI lent money in 1988 to Workmore, a company owned by one of its then-directors, Mr David Constance, and his wife.

According to the report to creditors by Mr Alan Marlor, ATI's joint administrative receiver, the loan was made to enable Workmore to buy three properties.

Workmore owns flats in Brighton, Hove and Portslade, all in West Sussex, according to records at Companies House. On October 31 1989 the outstanding loan from ATI was just over £85,000.

Between then and December 31 1990 Mr Nigel Parker, ATI's other director, joined Mr Constance as a director and part-owner of Workmore.

Mr Marlor's report says ATI sought repayment of the loan in November 1990. Because Workmore had no working capital, he said, it was agreed that Mr Andrew Amess, Mr Vaughan Phillips and Mr Graham Lightburn "would each purchase one of the properties from Workmore, financed by mortgages from Abbey National".

All three men were employees of ATI at the time. Mr Amess became its sole director after Mr Constance and Mr Parker resigned in January 1991, although they were active in its affairs as consultants until it ceased trading.

Mr Phillips has just bought Culmington Manor, a Shropshire holiday centre, from Hostwell, a company owned by Mr Parker and Mr Constance. They, in turn, had bought the manor from ATI only in January. They orally granted Mr Phillips a contract to manage it the day after ATI ceased trading.

In the case of the Sussex investment properties, Mr Marlor said: "The amount raised on the mortgage was paid to Workmore, which settled its own mortgage liability on the property and repaid part of the balance due to ATI. The individuals concerned hold the properties in trust for ATI but there are covenants to the effect that ATI will pay the mortgage outgoings and at demand settle the mortgage."

His report continued: "The precise effect of this transaction is uncertain, but as the properties are tenanted, and were purchased at valuation in November of 1990, it is not likely there is any equity." Mr Marlor told ATI creditors last Monday that Workmore is subject to a winding-up petition.

Separately, Mr Marlor's report to creditors stated: "My solicitors are currently investigating ATI's connection with a French company, SARL Adventure Tourisme Internationale, in which ATI apparently has a 98 per cent shareholding. There is to date no evidence that the company has any assets."

## Thatcher resolute on foundation

MRS MARGARET THATCHER yesterday reaffirmed her determination to set up an organisation to propagate her vision of free-market economics, Ralph Atkins writes.

The Thatcher Foundation will open offices in several capitals with the aim of showing other countries, particularly those in eastern Europe, how to move to free enterprise and democracy.

Her comments in interviews came after suggestions that her enthusiasm had waned because of fund-raising difficulties.

Her project could clash with preparations by the Foreign Office for an independent organisation to promote political parties in fledgling democracies. That plan was announced last October by Mr Douglas Hurd, foreign secretary.

## Midlands plant to supply Toyota

JOHNSON Controls Automotive, a subsidiary of Johnson Controls of the US, is to spend £8m on a plant at Burton upon Trent to assemble seats for a new Carina car model from Toyota of Japan. The model will be assembled from next year at a complex being built near Derby at which up to 150 jobs will be created.

Some parts will be supplied from other Johnson plants in Europe, and Toyota is compiling a list of 150 parts suppliers with the aim of reaching an EC content of 85 per cent for the Carina by 1995.

## Lloyd's losses may be over £1bn

LLOYD'S of London may lose more than £1bn in its 1989 and 1990 years, according to a report on the future of the insurance industry published today.

Mr John Ginarlis of PA Consulting Group, author of the report, says problems at Lloyd's are a symptom of a deeper malaise in the industry worldwide. He predicts a painful shake-out in which the biggest companies continue to enlarge their market share.

*General Insurance in Crisis. PA Consulting Group, Buckingham Palace Road, London SW1W 9SR. £1,025.*

## Pension warning

THE National Association of Pension Funds said a European Court of Justice ruling against discrimination between men and women in the age of retirement would damage company schemes if it applied before the court had made its decision.

## Barlow Clowes fraud trial starts tomorrow

By Raymond Hughes, Law Courts Correspondent

THE TRIAL of four men, arising out of the collapse in 1988 of the Barlow Clowes fund management empire, will start tomorrow. It is the last of three big fraud trials to come to court in the past 18 months – the others being Guinness and Blue Arrow – and is expected to last between six and nine months.

Mr Peter Clowes and three of his former associates – Mr Peter Naylor, Mr Guy Cramer and Mr Christopher Newman – are accused of stealing £16.9m from people who invested in Barlow Clowes managed funds in Gibraltar. Mr Clowes faces 10 theft charges, Mr Naylor four, Mr Cramer six and Mr Newman seven. Most are joint charges involving two or three of the defendants.

Mr Clowes, Mr Naylor and Mr Cramer are also jointly charged with conspiring to contravene section 13(1) of the 1958 Prevention of Fraud (Investments) Act, which deals with false statements made to induce people to invest. Mr Clowes alone is accused of eight offences under the subsection.

Mr Naylor, a computer consultant, was formerly a director of James Ferguson Holdings, the Barlow Clowes parent, of which Mr Clowes had been chairman. Mr Newman, a chartered accountant, had been finance director of James Ferguson Holdings, of which Mr Cramer, a former market trader, had been chief executive.

Mr Clowes' empire collapsed in June 1988. The Gibraltar-based Barlow Clowes International was found to be insolvent and owing £138m to 11,000 investors who had put their savings into what they believed were portfolios of British government securities.

Barlow Clowes Gilt Managers, based in Cheshire, in which 7,000 people had invested about £54m, was compulsorily wound-up by the High Court on a petition by the Securities and Investments Board. Both companies are now in the hands of administrators and there are civil court proceedings to try to resolve disputes about the respective entitlements of various classes of investors to the available funds.

Mr Clowes was arrested on June 15 1988 and released on £300,000 bail, later increased to £500,000. Mr Naylor, Mr Cramer and Mr Newman were arrested on December 8 1988.

Bail was set at £500,000 for Mr Naylor and Mr Cramer and £200,000 for Mr Newman. Mr Newman has been granted legal aid for his defence.

The case was transferred from Guildhall magistrates' court in London to the Old Bailey in March last year under the new procedure enabling cases of alleged serious fraud to go direct to a crown court, instead of going through the usual committal proceedings before magistrates.

The trial, before Mr Justice Phillips, a judge with a commercial law background, and a jury, will take place in the Chichester Rents annexe to the Old Bailey in Chancery Lane.

The courtroom is on the floor above that in which the Blue Arrow trial has been taking place since mid-February.

The SFO's prosecution team will include five barristers, headed by Mr Alan Suckling QC and Ms Mary Arden QC.

Barlow Clowes accused: (clockwise from top left) Peter Clowes, Peter Naylor, Christopher Newman and Guy Cramer

## Volume of direct mail down 14% in quarter

By Alice Rawsthorn

DIRECT MAIL, until recently one of the robust areas of the marketing services industry, is suffering in the recession, according to the Direct Mail Information Service.

The volume of direct mail – the "junk mail" or promotional material sent through the post – fell 14 per cent to 556m items in the first quarter of this year, according to the latest DMIS data. Spending on direct mail fell 4 per cent to £233m in the same period.

Direct mail emerged as one of the fastest-growing sectors of marketing services in the 1980s, when it showed far faster growth than traditional media advertising. The industry benefited from the increase in marketing expenditure and also from the trend for companies to direct their sales messages at particular groups.

Direct mail expanded by 29 per cent to £979m in 1990, according to the Advertising Association, while the overall advertising market grew 3 per cent to £8.86bn.

## BA calls for data standard

By Paul Betts, Aerospace Correspondent

BRITISH AIRWAYS is urging international airframe and aero-engine manufacturers to adopt a common standard to allow the widespread introduction of compact disc (CD) technology into aircraft maintenance.

BA is the first airline to introduce CD technology in its maintenance operations by converting the manuals for its Boeing 757 and 767 twin-engined jets from the traditional microfilm system to the new CD Read Only Memory (CD-ROM) system.

American Airlines, the largest US carrier, is testing the introduction of a CD-ROM system for its entire Boeing, McDonnell Douglas and Airbus airliner fleet.

BA is pressing other airlines to adopt the new system. It wants the establishment of a common standard to enable the same hardware and software to handle CDs from all aerospace manufacturers.

However, manufacturers are unable to agree on a method of adopting maintenance schedules and parts manuals into a common CD system that would allow similar equipment to be used to display maintenance information.

CD technology is revolutionising the way maintenance information is handled by commercial airlines. The technology is increasingly being adapted to areas of business and industry involving large volumes of documentation.

BA plans to extend CD technology to the maintenance of its Boeing 747-400 jumbos.

BA first tested CD technology a few years ago, with Boeing and Maxwell Data Management.

● The storage and retrieval of information published in newspapers is an obvious application for the new technology. From September this year, for example, the full text of the Financial Times will be available on CD-ROM.

It will be published by FT Profile, the Financial Times's business information organisation.

## Bank forecasts slow recovery

By Jim McCallum

THE UK will begin a slow rise out of recession later this year as lower interest rates begin to revive consumer confidence, says a National Westminster Bank report published today.

Any upturn in consumer spending, however, will be weakened by a further rise in unemployment and is unlikely to hasten recovery in industrial output, which remains weak, says the report.

The NatWest forecast coincides with a report also released today by Dun & Bradstreet, the information consultancy, which is expected to show that the high level of business failures shows no sign of abating. NatWest's report already detects the first signs of recovery in consumer spending in the government's retail sales figures and expects a slow recovery in the third quarter before a "fairly marked" upturn in the last three months of this year.

With inflation forecast to fall to 3.5 per cent in the autumn and the government likely to strengthen its commitment to sterling's position in the exchange rate mechanism of the European Monetary System, there will be scope for interest rates to be cut by 1½ points to 10 per cent this year.

NatWest believes the government will bolster the pound's position in the ERM by moving it later this year to the narrow 2¼ per cent fluctuation band, which will allow interest rates to fall to 9½ per cent by next spring.

In the corporate sector investment continues to fall sharply. NatWest estimates that by autumn total investment will be down 15 per cent from its peak in early 1990.

*Economic and Financial Outlook. Market Intelligence Dept, National Westminster Bank, 41 Lothbury, London EC2P 2BP.*

## Government warned on sterling value

By Jim McCallum

THE government is warned today in a report by the London Business School not to jeopardise sterling's position in the exchange rate mechanism of the European Monetary System by hasty reductions in interest rates.

The LBS, in its thrice-yearly UK economic forecast, says holding the pound close to its current level offers the best opportunity for a lasting reduction in inflation to continental European levels.

The LBS believes there is cross-party commitment to avoiding a realignment of sterling to a new lower level in the ERM. In spite of speculation in the City that a future Labour government would seek to devalue sterling, the LBS believes British governments will remain committed to the present European exchange rate levels.

With the pound likely to be buffeted by uncertainty in the approach to a general election, which must be held by July 1992, predicting the course of interest rates in the next year will be "extremely difficult," says the LBS.

Nevertheless, a ½ point fall in base rates to 11 per cent over the summer and a further 1 point cut next year is possible without undermining the pound.

If the government does avoid a realignment of sterling, inflation will remain below 4 per cent and allow interest rates to fall to 9 per cent by 1994 and 8 per cent for the second half of the decade.

The LBS believes there is still no firm evidence that a recovery is under way, although it also says the recession does not appear to be worsening.

This suggests the economy is close to a turning point and there should be a recovery in the second half of the year.

But with unemployment expected to rise by a further 400,000 in 1992 to 2.7m, the threat of job losses means any recovery will be muted with output not returning to its 1990 level until 1993. The shake-out in the service sector is particularly severe, with the LBS expecting 1m jobs to disappear over the next year.

There is also little prospect of the corporate sector leading a recovery. Investment is forecast to fall 8.8 per cent this year and a further 2.6 per cent next year, with a modest revival in 1993. Investment in manufacturing is expected to fall 16 per cent and in the rest of the economy 13 per cent this year.

Job losses and other cost-cutting measures by companies should, however, allow the begining of a recovery in profits later this year.

*Economic Outlook, 1990-1994. Vol 15, No 9. Gower Publishing, Croft Road, Aldershot, Hampshire GU11 3HR. Annual subscription, £165 UK and Europe. £182 elsewhere.*

LONDON BUSINESS SCHOOL FORECASTS

| | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|
| GDP† | 0.5 | -1.9 | 1.6 | 2.6 | 2.7 |
| Inflation (RPI) | 9.5 | 5.5 | 3.8 | 3.5 | 3.7 |
| Consumers' expenditure† | 1.0 | -1.2 | 1.7 | 2.1 | 2.0 |
| Total fixed investment† | -1.9 | -8.8 | -2.6 | 3.1 | 3.9 |
| Gen govt consumptn† | 1.7 | 0.3 | 0.9 | 0.9 | 0.9 |
| Stockbuilding‡ | -0.7 | -3.0 | -1.7 | 0.5 | 1.5 |
| Exports† | 4.8 | 0.6 | 4.7 | 3.3 | 2.7 |
| Imports† | 1.8 | -2.4 | 3.0 | 3.2 | 1.8 |
| Sterling Index* | 91.0 | 92.0 | 90.0 | 90.0 | 90.0 |
| PSBR (£bn, finan years) | -0.3 | 10.2 | 11.7 | 7.4 | 3.0 |
| Current balance (£bn) | -13.8 | -7.5 | -10.0 | -10.8 | -7.5 |
| Adult unemployment (UK, m) | 1.7 | 2.3 | 2.7 | 2.8 | 2.7 |

Percentage change unless otherwise shown † Percentage change in volume. ‡£bn, 1985. *1985=100.

Source: Economic Outlook 1990-1994, July 1991

IF sterling holds its current position in the ERM, UK inflation should start to converge on German levels by next year and interest rates should follow suit, according to the London Business School.

Unemployment will also approach the higher French and German levels. But productivity will continue to lag by 15 per cent per employee. That gap is unlikely to be closed unless investment rises and the best Continental work practices are emulated.

If the Labour party wins the next general election much will depend on whether the government is able to avoid a realignment of sterling.

Without a realignment, the LBS expects Labour to deliver slightly higher growth and lower unemployment but with higher inflation.

If it is unable to maintain current ERM parities and sterling is forced lower, interest rates will initially be forced higher leading to a sharper fall in employment but with inflation rising to about 6½ per cent.

The LBS says a further shock, such as a rise in oil prices or a further forced devaluation, would push inflation into double figures.

UK NEWS

# Union members protest over deal

By John Gapper, Labour Editor

Sellafield: deal should not have been agreed without shift workers approval

A UNION agreement on what would be the first 35-hour week for manual workers at a large British company has provoked strong protests from employees at British Nuclear Fuels' Sellafield reprocessing plant in Cumbria.

Two shop stewards have resigned because of unhappiness over the deal, and some of the 2,300 shift workers have threatened to stop paying union subscriptions. The shift workers say the deal should not have been agreed without their approval.

The protests could make it hard for BNF to reach detailed agreement on a 35-hour week by next March, when it is due to be implemented on all four BNF sites. The company said yesterday it hoped to overcome the problem.

The protests among shift workers have been over changes to shift patterns and the end of some allowances as part of the 35-hour week deal. Union leaders are keen for the deal to work because they see it as a model for other companies.

The main protests have come from members of the GMB general union at Sellafield. Mr Eddie Newall, GMB national officer, said the unions could not allow a single group of employees to exercise a veto over the majority decision in favour.

Although a majority of shift workers at BNF sites voted for the 35-hour week deal, Mr Newall said there had been a narrow majority against it at Sellafield. Union leaders had said it would have to be broadly acceptable to all groups.

Mr Newall said that any difficulties over changes in shift patterns could be sorted out over the next few months before the deal was implements.

Mr Jack Dromey, secretary for the joint unions at BNF, said there had been a strong vote in favour of the deal among day workers and non-industrial staff at BNF. There had been an overall majority among shift workers.

"It is par for the course that problems emerge in the implementation of any working week deal, but we are confident that those problems can be comfortably resolved in the next few months," he said.

The unions were happy with the agreement because it represents a step forward on the 37 hour week deals which have been reached in engineering over the past two years. Most manual workers are still on a 39 hour week.

CONSUMER RIGHTS

# Labour claims Citizens Charter is political fraud

By Ralph Atkins

THE LABOUR party yesterday said that leaked documents showed Prime Minister John Major's plans for a Citizen's Charter to improve public services were a "political fraud".

Government ministers have rejected legislation to increase consumer rights despite a rising number of complaints against utilities such as British Telecom and the water companies, the party said.

Mr Gordon Brown, Labour party trade and industry spokesman, said the documents obtained by the opposition were discussed by the government only last week.

They showed it had also ruled out statutory ombudsmen for the utilities, compensations schemes, and tougher standards being set by ministers.

Government officials confirmed that the documents were genuine but said they did not show what ministers had decided.

The attack came as the Labour party suffered a setback to party confidence with the weekend's opinion polls showing its lead over the Conservative party had been cut to one or two percentage points.

The results, although unlikely to influence general election timing, suggest Conservative splits on Europe have not been as damaging as feared by some in the party and will help revive Tory party morale. The government plans to publish a White Paper on the Citizen's Charter later this month.

The Labour party says that three documents it has obtained show the government is shying away from proposals which would have significantly increased the power of consumers.

However, Mr John Redwood, corporate affairs minister, said on BBC Radio that Mr Brown, "has not heard or seen what ministers have been saying in response to these papers. That would be much more instructive for him."

One of the leaked documents considers the implications of a Citizen's Charter for the regulators of utilities such as Oftel and Ofwat, which cover the telecommunications and water industries respectively.

It says: "Stronger powers for regulators would probably accelerate the improvement of utility companies, but would require primary legislation, which might open the way to wider discussion of the role and performance of the regulators."

Mr Brown, together with Mr Nigel Griffiths, the party's consumer affairs spokesman, said a commitment to legislation had been dropped from a second document, a draft of the section on privatised utilities for the citizen's charter.

A third document, Mr Brown said, shows there is a rising tide of consumer complaints, running about about 3,000 a week, about the telecommunication, gas, water and electricity utilities.

Statutory ombudsmen had been rejected at least partly because it would be difficult to get approval from all government deparments. Compensation schemes have been blocked because the power to make cash settlements might become a politically controversial issue.

Mr Brown said the papers revealed, "the sham and political fraud at the heart of Mr Major's Citizen's charter. . . Ministers are prepared to forget the rising trend of complaints. They are scared to open up a debate on prices, salaries and the standards of services."

# Scheme to stem job losses starts

By Chris Tighe

EFFORTS to reduce the effect of impending big job losses at two of Britain's largest workplaces begin in earnest today.

The Cumbria Action Team, led by a senior civil servant from the Department of Trade and Industry, begins work on mitigating planned total job losses of about 10,000 by 1994 at the county's VSEL shipyards and the Sellafield nuclear reprocessing plant.

The arrival in Barrow-in-Furness of Mr Geoff Cobb, the team's leader, is the first tangible result of last month's announcement by Mr Peter Lilley, trade and industry secretary, that the government wants to help the Barrow and Copeland areas combat "the severe industrial and employment difficulties" they face.

Both areas suffer from isolation, poor road links and lack of inward investment, and are dominated by two big employers. Early this year more than 12,000 people worked at VSEL's Barrow shipyards, and 15,000 at the Sellafield plant.

VSEL, however, plans to cut up to 5,000 jobs by the end of 1993 because of defence spending cuts, and at Sellafield completion of the Thermal Oxide Reprocessing Plant will mean 5,000 job losses in the same period.

# Union chiefs dispute role under Labour

By John Gapper, Labour Editor

Gavin Laird: attack

A DISPUTE between union leaders over their role under a future Labour government flared yesterday when Mr Gavin Laird, general secretary of the AEU engineering union, said in his union's journal, that others were acting like "frustrated prime ministers".

Mr Laird made a veiled attack on Mr John Edmonds, general secretary of the GMB general union, whom Mr Laird accused of a "pathetic" longing "for a return to the bad old days of beer and sandwiches at Number 10 Downing Street [prime minister's residence]."

He said AEU members would not tolerate "the sight of union barons using their block votes to pursue their narrow sectional interests".

Mr Laird's attack comes amid tension among unions over their relationship with a Labour government. The tensions have been increased by arguments over the role of the "national economic assessment" supported by Labour.

Although union leaders have suggested that Labour and the unions should maintain an arm's length relationship, Mr Laird's comments are one of the strongest warnings from a senior union official.

He said it was "foolish" to suggest unions could expect to assert "disproportionate influence and control" over a Labour government. He added: "I am sometimes forced to conclude that some of our colleagues are frustrated prime ministers".

Mr Edmonds said at his union's conference in May that the TUC would expect to exercise more influence on a Labour government than the Confederation of British Industry on topics such as reforming industrial relations law.

Mr Laird said the unions needed to establish a clear divide between their role and that of a labour government. "The role of trade union leaders is to support the next Labour government and not vice versa," he said.

His remarks are a further example of the tension this year between unions representing different groups of workers as they try to formulate common policies.

# Training standards fear

By Paul Cheeseright

RIVALRY between school-industry compacts and the employer-led Training and Enterprise Councils could hamper efforts to achieve higher standards of vocational training, leaders of the compact movement have warned.

Under compact, pupils and schools agree to meet specified standards of attainment while local employers guarantee pupils jobs and training.

Compact leaders are concerned that the Tecs have been given a leading role in strengthening links between education and industry under the government's Partnership Initiative. Some feel they should be leading developments instead.

This tension emerged at the first national compacts conference in Birmingham last week.

Ms Julia Cleverdon, the development managing director at Business in the Community, who chaired the conference, said Compact leaders were worried that there could be "three games in town" which would confuse employers.

"There is a danger that training and enterprise councils will not take into account the existing latticework that is there," Ms Cleverdon said.

Ms Cleverdon noted that some employers, caught in recession, are finding it increasingly difficult to honour job and training guarantees.

Mr Robert Jackson, under-secretary for employment, told compact leaders that 90,000 pupils and over 900 employees are so far involved in 52 compacts. So far 26,000 job opportunities have been created.

Professor John Woolhouse, of Warwick University, said that if the number of employers involved in compacts grew, they would be better placed to withstand economic turbulence and a volatile labour market.

# African art prices steady

PARIS is acknowledged to be the world's capital for tribal art and auctioneer Guy Loudmer, who holds two major sales in the speciality each year, is one of its driving forces, writes Christopher Powell.

His latest auction of North American Indian, African and Oceanic pieces on Thursday and Friday last week confirmed there is a slowdown – but no sign of crisis – in the field, which has remained free of speculation.

Connoisseur collectors and dealers from most countries in west Europe attended.

However, what Mr Pierre Amrouche an expert described as his "more recent clientele", mainly contemporary art critics won over to tribal art, stayed away and prices remained realistic.

Sales totalled FFr8.2m and 97 lots out of 260 were brought in for FFr4.1m and estimates were prudently low.

Rare African objects were the most sought after and an exceptional sculpted Fang head from Gabon, which had once stood symbolic guard over ancestral relics, estimated at FFr3m, was sold to a Swiss collector for FFr2.5m.

Bidding for a CongoleseKwele gorilla mask from the last century, shot up to FFr400,000 which was just under its high estimate. A Nigerian human mask from the Ben Heller collection in New York sold for FFr390,000, a feminine statue from Mali went for FFr340,000 and a seated female figure from Liberia reached FFr550,000.

# CONSTRUCTION CONTRACTS

## IN BRIEF..

WATKINS GROUP has signed an £8m contract with Clerical Medical and General Life Assurance Society for the construction of offices with shops and residential accommodation at 6 Duke Street, St James's, London. The Duke Street elevations of the 1922 building will be retained up to fourth floor level for incorporation into the new building.

★★★

HIGGS AND HILL SOUTHERN has been appointed by Capital & Counties to complete the £5.5m Turnford Place office development at Cheshunt in Hertfordshire. Preliminary work on the project was started in October 1990 by another contractor, which subsequently went into liquidation. Turnford Place will be built on three floors and provide 57,000 sq ft of office accommodation.

★★★

Work on the second phase of converting a former London school into a city technology college - sponsored by ADT - has been awarded to TARMAC MANAGEMENT. The company began work on a £3.7m contract for the first phase of the project, at a former secondary girls school in West Hill, Wandsworth, last September. The company has now been awarded £1.5m of additional work. The latest phase involves refurbishing and recladding a further classroom block for the college, which is expected to open in September.

★★★

Northumbrian Water has awarded SIR ROBERT McALPINE a contract worth £3.5m to construct an auxiliary spillway to the Grassholme reservoir embankment dam in Northumberland. The project is designed to augment the spillway capacity for flood waters from the reservoir in Lunedale.

★★★

BOVIS CONSTRUCTION has been awarded a £3.8m management contract to build a 3,000 sq metre extension to a sausage production factory in Trowbridge for Bowyers (Wiltshire).

## Sixth form College in Oldham

*The Manchester office of* MOWLEM NORTH WEST, a division of John Mowlem Construction, has won a £15m contract to build a sixth form college in Oldham. Work has started and involves construction of a two-storey building and separate sports hall including all fixtures and fittings.

The college, which will be completed during the summer of 1992, will house over 1,000 students whilst the sports hall will feature two squash courts, a multi-activity hall, dance studio and showers and changing facilities.

The college is being built on the former site of Oldham's Royal Infirmary and will retain the infirmary's original stone archway at its entrance.

Mowlem North West has also started work on a £2.3m swimming pool at Moor Park, Blackpool for Blackpool Borough Council. The 15-month contract involves building a single-storey swimming pool with a 25 x 18 metres main pool and a 15 x 7 metres beginners' pool, spectator facilities, changing rooms, plant room, cafeteria and car parking for 60 cars.

## Managing services

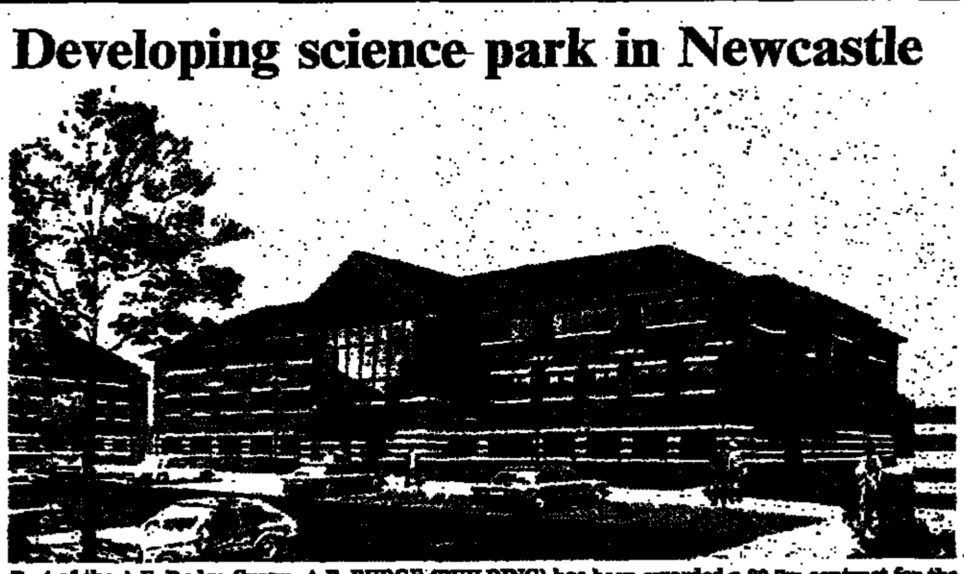
BALFOUR BEATTY PROJECTS & ENGINEERING has been awarded an £11m three-year contract to manage works services for the Ministry of Defence.

The project involves planning, specifying, organising and managing the maintenance and minor new works budget at RAF Honington, RAF Barnham and RAF Watton.

RAF Honington, about 10 miles from Bury St. Edmunds, Suffolk, is a key operational front line flying station, while RAF Barnham and RAF Watton mainly provide accommodation for RAF Honington personnel.

Balfour Beatty Projects & Engineering will be responsible for all aspects of planned maintenance work. This will include general maintenance, operation and maintenance of mechanical and electrical equipment, ground maintenance, the landscape management programme, financial management and the organisation and procurement of minor new works.

## Developing science park in Newcastle



Part of the A.F. Budge Group, A.F. BUDGE (BUILDING) has been awarded a £9.7m contract for the design and construction of a science park *(pictured)* in the centre of Newcastle which is being developed by A.F. Budge in conjunction with the Tyne and Wear Development Corporation. The science park will provide 86,000 sq ft of business space, as well as a 53,000 sq ft innovation centre.

## £19m London refurbishment

COSTAIN CONSTRUCTION, a subsidiary of Costain E&C, has been awarded the contract, worth about £19m, to refurbish Cable & Wireless' London headquarters, Mercury House, in Holborn. This work follows on from the partial demolition and complete stripping out of the building, which was also carried out by Costain Construction under a separate contract.

Built in 1954, Mercury House was originally an eccentric "H"shape over ten floors, but the majority of the centre section of the building has now been demolished from roof to foundation level. This area will be replaced by a glazed atrium *with a barrel-vaulted roof* which will cover a new nine-storey office area to the rear of the building. A glazed entrance loggia and the glazed atrium will form a new reception area and conference facility.

The lifts will be replaced and rearranged with two additional panoramic lifts in the atrium. All the windows are being replaced, but the Portland Stone facade will be restored and retained, with curtain walling and Sardinian granite cladding being applied to the new areas.

All office areas are being *totally refurbished*, with suspended ceilings, raised access floors and dry-lined walls laid out in a flexible arrangement of fully air-conditioned, open-plan and closed offices. All office areas will be served by a data cable management system reflecting the client's needs.

Certain minor areas of the building are still being used by the client and their associated companies during the construction period.

## £18m Malaysian office development

Taylor Woodrow's Malaysian building company has started work on two contracts in Kuala Lumpur worth more than £25m. *The first is an £18m* order for a 27-storey office and retail centre. The other, worth more than £7m, is for the construction of 132 condominium appartments.

Both contracts have been awarded to TEAMWORK CORPORATION, a locally-based Taylor Woodrow subsidiary.

The office and retail development *is for the publicly-listed* Cycle & Carriage Group in Singapore. The group, with diversified businesses in motor vehicles, food and property in the region, is the franchise holder for Mercedes Benz, Mitsubishi and Mazda vehicles. The 106 metre building, which will have a lettable area of 34,545 sq metres and 745 car *parking spaces, is scheduled* for completion in mid-1993.

The second contract, involving three medium-rise blocks of appartments for Seniharta Sdn Bhd, is due to be finished next summer.

## Upgrading Dubai shipping facilities

KIER INTERNATIONAL, the overseas contracting arm of Beazer, has been awarded a contract valued at over £1.5m *to construct additional wharf*age and dry dock berthage facilities at the Dubai Ship Docking Yard.

Work includes dredging within the Dubai Creek, sheet piling for an extended wharfage length of 150 metres and the installation of bearing piles *to carry the new maintenance* berths.

Other work involves provision of precast concrete ground beams, pile caps and coping beams, additional M&E services, berth rails, bollards and fenders.

Work on the 12-month con*tract was begun recently. The* client is Dubai Ship Docking Yard and the Halcrow International Partnership is the engineer.

## Fitting out London base

Companies within the construction division of TRAFALGAR HOUSE have been awarded contracts valued at over £16.3m.

Heading the list is a management contract for the fit-out of a major pharmaceutical com*pany's headquarters*, where features of the 145,000 sq ft development will be the information technology services with fibre optics and satellite communications.

In Bristol, Willett has been awarded a £3.9m contract by the Southmead Health Authority for the construction of units for the elderly and patients suffering from acute mental illness.

Engineering consultancy, TH Technology, has a design contract for British Steel in Wales valued at £3m and specialist electrical and mechanical contractor, Rashleigh Phipps has new orders worth £2.33m.

## Sewage plant in Falklands

KLARGESTER ENVIRONMENTAL PRODUCTS, Aston Clinton, Bucks has won a contract to supply a B11 BioDisc sewage treatment plant for a new £10.6m senior school and *leisure complex development* on the Falklands Islands.

Financed by the Falklands Islands Government the development, due to be completed in 1992, is designed to meet future population growth on the island.

The Klargester BioDisc will cater for the new 4,350 metres two-storey complex which includes the Stanley senior school (for 200 pupils) and a leisure centre for use by the 2,000 residents of the island *(half of which live in the capital)*.

The complex will house a library and indoor sports hall as well as providing a new sports field.

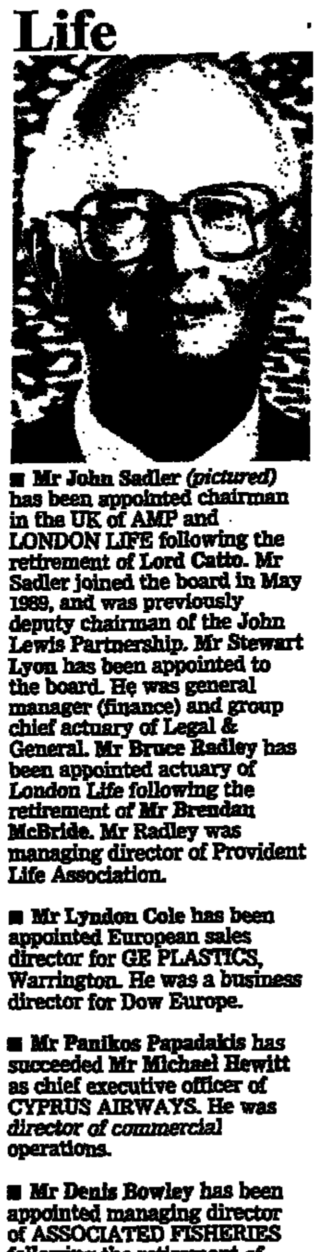
The project, due to be completed in 1992, is being constructed by Gordon Forbes Construction (Falklands).

The BioDisc incorporates primary settlement, biological treatment with rotating contactor and final settlement, all within a self-contained unit.

*It is designed to ensure that* the effluent discharged is of an acceptable standard for dispersing into a suitable watercourse.

# APPOINTMENTS

## Chairman of AMP & London Life



■ Mr John Sadler *(pictured)* has been appointed chairman in the UK of AMP and LONDON LIFE following the retirement of Lord Catto. Mr Sadler joined the board in May 1989, and was previously deputy chairman of the John Lewis Partnership. Mr Stewart Lyon has been appointed to the board. He was general manager (finance) and group chief actuary of Legal & General. Mr Bruce Radley has been appointed actuary of London Life following the retirement of Mr Brendan McBride. Mr Radley was managing director of Provident Life Association.

■ Mr Lyndon Cole has been appointed European sales director for GE PLASTICS, Warrington. He was a business director for Dow Europe.

■ Mr Panikos Papadakis has succeeded Mr Michael Hewitt as chief executive officer of CYPRUS AIRWAYS. He was *director of commercial* operations.

■ Mr Denis Bowley has been appointed managing director of ASSOCIATED FISHERIES following the retirement of Mr Bill Letten who remains a non-executive director. Mr Bowley was managing director of Booker Nutritional Products.

■ Mr Patrick Deigman has been appointed a director of *ARLINGTON SECURITIES* from today. He has been managing director of Arlington Property Developments since 1987. Mr Ray Norris has retired from the board of Arlington Securities but remains a consultant.

■ Mr D.R. Losse, chief executive of GREIG FESTER GROUP, additionally becomes deputy chairman from today. He is also to be chairman of Greig Fester, the company's Lloyd's broking subsidiary, succeeding Mr J.S. Greig who retires from the board but remains chairman of Greig Fester Group. Mr R.G. Phillips, head of the claims division of Greig Fester, has been promoted to its board.

■ Mr Geoff Burns, director of Murray Johnstone Developments, and Mr Chris Jackson, general manager, corporate services, have been appointed to the main board of MURRAY JOHNSTONE, Glasgow.

## Manufacturers Hanover restructures

■ MANUFACTURERS HANOVER CORPORATION is establishing a European regional headquarters in London. Mr Herbert F. Asphury *(pictured)*, group

executive in charge of the bank's business in Europe, will be relocating to London from New York. In London Mr Morten Arntzen, managing director, will be in charge of the group focusing on industry specific, credit intensive customers. Mr Richard Smith, managing director, will head the group managing relationships with customers who use a broad range of the bank's capital markets products. Mr John D. Zutter, managing director, additionally becomes chief of staff for Europe, and continues as country manager for the UK, and London branch manager.

## MANAGEMENT

Share registration

# The implications of paperless dealing

Taurus may not supply all the answers, says **Richard Waters**

At their next annual general meetings, many company chairmen will try to persuade their shareholders to surrender their share certificates. Yet few of the chairmen realise what will be expected of them – and fewer still understand the impact it will have on their companies, and on their relationship with their shareholders.

Listed companies that have kept in touch with the development of Taurus, London stock exchange's paperless share trading system, fear that they could find they have less information about movements on their share register and that the costs of maintaining a share register will rise. It could also become more difficult to identify stake-building by unwanted shareholders.

The abolition of share certificates is part of the move to the Taurus system, which is due to be launched next May. Share ownership will be evidenced by an entry on a computer, and share transfers will take place electronically, with no further use of transfer forms.

The transition will not be automatic. Each company's shares will only move onto Taurus (or "dematerialise", in the jargon of the City) once its shareholders pass an extraordinary resolution – in other words, 75 per cent of those voting must support the idea.

The timing is determined by the introduction of secondary legislation, a draft of which was published last month by the Department of Trade and Industry. Taking the paper out of the share ownership and transfer process has forced a rewrite of large parts of company law.

This rewrite has already slipped six months due to unexpected complexities encountered by the drafters, leading to the scrapping of the Taurus launch which had previously been planned for this autumn. Further delays could still occur.

All being well, though, the regulations will be in place later this year, paving the way for company chairmen to seek the support of their shareholders early next year. How many realise what it will mean for their companies?

Concern about what Taurus will do to the transparency of share registers has been rife for some time, whatever the stock exchange may say about its success in winning the support of listed companies for the changes planned. The problem arises because the Taurus system could encourage the use of nominees, effectively keeping the beneficial owners of shares off company registers.

Under Taurus, shares will be held in two types of account, known as designated and undesignated (or pooled) accounts. For shares held in designated accounts, the names of the holders will appear on a company's share register (though of course these holders may themselves be nominees).

But for undesignated accounts, the names will not be revealed automatically – they will only emerge once a month, when all shareholdings in the Taurus system will be collated to give companies a complete picture of their shareholders. In the meantime, some companies fear, predators may be able to build stakes by buying through undesignated accounts.

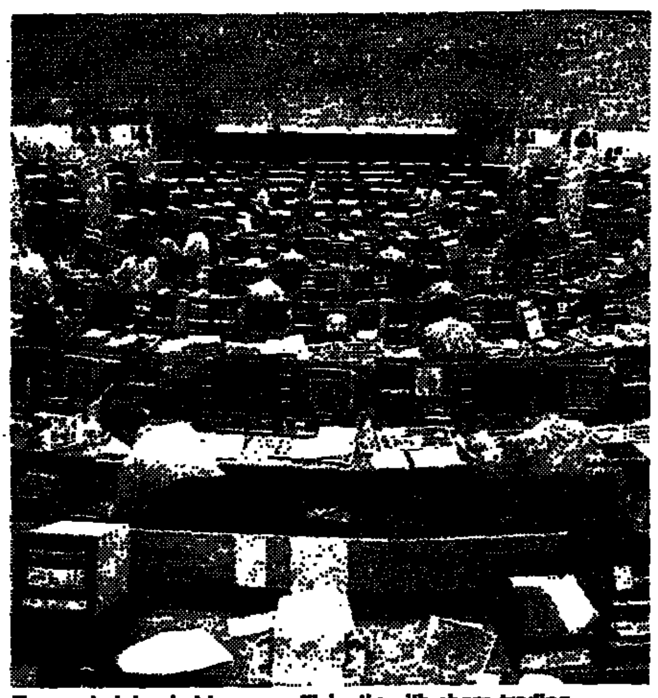
Companies have spent much of the last year trying to persuade the Stock Exchange to provide full breakdowns of their share registers more frequently than once a month.

The pressure has been kept up through the Investor Relations Society, the Exchange's own listed companies advisory committee, the Confederation of British Industry and the 100 Group, a grouping of leading finance directors.

That battle seems to have been lost. The one-month rule has been enshrined in the DTI's draft regulations. Companies wanted the regulations simply to call for a "minimum period" for updates of share registers, leaving it to the stock exchange to decide how long this should be. Putting the period into the regulations suggests it has been set in stone.

Much will depend on whether shareholders (and stock brokers) opt to use designated or undesignated accounts. The signs so far are that they will go for undesignated ones – with the attendant loss of visibility for companies.

A number of brokers have already written to personal shareholder clients recommending they transfer holdings into the broker's nominee, on the grounds that this will be cheaper and easier for the move to Taurus. That means less visibility for companies.



Taurus is intended to cope efficiently with share trading generated by dealing rooms such as NatWest's (above)

John Watson, the Stock Exchange's project manager for Taurus, says this is only a temporary step. "I can see why companies would be concerned – but I think it's all part of the transition," he says. What will force brokers not to use nominees once Taurus has been introduced, though?

Watson's answer is pressure from shareholders, who will want the benefits of having their name on the company register, and administrative ease for brokers, who would rather companies communicated directly with their shareholders than use brokers as intermediaries.

Not everyone agrees. Ian Richardson, company secretary of HP Bulmer, who has been active through the listed companies advisory committee, says: "My belief is that there will be a trend over the next two or three years towards more nominees and less and less visibility." Banks will use pooled nominees as they extend their grip of the retail stockbroking business, he argues.

The differences between listed companies and the stock exchange have been simmering for some time. With Taurus now drawing close, they could yet come to a head. "They (the exchange) can steamroller it so far. But they might be surprised by the strength of feeling that comes out towards the end of the year," he warns. "It is still a debate going on at the registrar level; it hasn't filtered up to company chairmen yet."

The second issue worrying companies, meanwhile, is the impact Taurus will have on the cost of maintaining a share register. Under the paperless system, shareholders will be able to choose who maintains their share accounts.

They can leave their shares with an account controller paid for by the company (these so-called "company account controllers" are equivalent to the service registrars already used by companies). Alternatively, they can move their shares to a commercial account controller – typically a stockbroker or investment manager – and pay for the privilege. Most private shareholders are expected to stay with the company account controllers.

What concerns companies is the fees they will be charged by the registrars. None has yet indicated what their new charging structures will be, but they have hinted heavily that systems development costs they have incurred to come into Taurus mean that companies may well find themselves paying more.

The stock exchange's Watson says that any rise in costs will not be down to Taurus alone. "Registrars are making investments now that they have not made before. The advent of Taurus is in a sense crystallising that investment."

A further concern expressed by companies is that the choice of registrars has been shrinking. Through a process of consolidation in the industry, just three – Lloyds, National Westminster and Barclays – now control 86 per cent of all shareholder accounts, according to research by Katrina Ellis, a director of The Share Centre, a rival account controller.

This may not be a cartel, but seeing the business concentrated into so few hands (not in itself surprising, given the heavy technology cost of being in the industry) causes companies concern.

Will there be alternatives? The DTI regulations allow for the possibility of listed companies using more than one company account controller. In theory, it will be possible to break up a share register and place different parts with different account controllers, each of which offers different services (some, for instance, may specialise in handling private investors).

The only alternative being promoted so far is The Share Centre, which is being set up by Gavin Oldham, a former chief executive and founder of Barclayshare. Oldham's plan is to operate as an account controller funded by companies, but offering shareholders the sort of services which otherwise would be available only from the brokers and other commercial account controllers.

# You're never too old to take on a new job...

Ageism is outdated, unfounded and wasteful, says **Diana Cornish**

Every working day I meet and do business with a wide range of employers. Although they come from an enormously diverse collection of industries, they have one thing in common. Prejudice is strangling their businesses.

Collectively these people would never dream of being offensive to a black person or belittling a woman bus driver.

Their prejudice is more widespread and is socially acceptable. They believe that a person's age determines whether he or she can do a particular job.

As an employment agency, we deal with personnel officers in thousands of British companies. It is curious that whatever their own age, most seem to share the same prejudices against employing older people.

When I used to place people in jobs, I was surprised at the number of older personnel officers who would make statements like: "You can't learn after 50."

I remember one senior manager in charge of personnel telling me how he processed job applications. "I aim for about 50 on my desk, then I go through them and throw out all those from people under 20 and over 40 and see some of the rest."

He would have been most indignant if I had suggested that his actions rested almost entirely on prejudice, rather than good business sense.

What research has been carried out on these subjects shows such attitudes to be nonsense. One certain fact is that older people learn just as well as younger workers.

Older people might be marginally less fit or be prone to illness, but they are not away on maternity leave or at home nursing a ligament torn in a violent middle-management squash league.

Perception is a very big factor in all of this and one that rests on many assumptions that people find hard to talk about.

If somebody rings up about a job and is asked no more than their age, sex and marital status, the potential employer can quickly conjure up a negative stereotype if the answers fit his prejudices. Being 50 and female does not necessarily indicate an addiction to frumpy cardigans and carpet slippers.

Employers should throw out their knee-jerk perceptions and think more creatively about who they hire.

Women who recruit staff tend to be just as ageist, although the reasons may be different. Younger women in managerial roles often feel that they don't want to control older women; it would be too difficult.

It seems clear that appeals to people's better nature will not diminish ageism, but economic necessity has a better chance of changing attitudes.

Once employers have been convinced of the training potential of older employees, a

> His actions rested on prejudice rather than good business sense

second line of resistance is often encountered. Employers will object to someone of 50 on the grounds that he or she has only around 10 more years of working life, and that that is not long enough.

These doubts are absurd. Before the present recession, for instance, the average secretary stayed in a job for only around two years in the provinces, and six months in London. There is no reason once this downturn has come to an end that these patterns will not return.

Ten years is therefore an awfully long time to have the potential of a mature, trainable person working for your company – and that's assuming that at 60 he or she becomes unable to work. Again, it isn't the case in the real world.

One of the things that I would like to see is abolition of the fixed retirement age. Nor should there be a set day for a person's pension to start.

Some of the flexibility needed to make this happen has already arrived, with the increased take-up of private, portable pensions. Ideally, when an individual employee says he or she has had enough of work, and has accumulated enough pension, that will be the day he or she begins to collect a pension.

There are still many technical, administrative and legal obstacles to hiring people who are over the official retirement age. Pension funds and trustees are going to have to be more imaginative in this area. However, most companies can employ anybody at all if they really want to.

One area where my company sees the benefits of prejudice being stripped away is in the provision of temporary staff. For whatever reasons, ageism does not come into play when temporary workers are taken on.

So we send people out who, because of their age, would not even be offered an interview for the same job on a permanent basis. The irony is that many prove so satisfactory that they are offered long-term employment by the client.

It is 20 years since legislation was passed in Britain outlawing racial and sexual prejudice in job advertisements. Cynics predicted then that a few shiny new statutes would not change ingrained attitudes. Nor have they.

What has changed attitudes is the achievements of women and minority groups who were given their chance to flourish in their work because of these new laws.

In my earlier working life I was as ageist as the next young woman. My first task with a pile of application forms was to throw out those from the over-40s.

As the years have gone by, I have tried older people, found them just as good as younger workers and disproved my own theories. One of the most successful people we have at Brook Street began with us at 47, is now over 50 and is still making enormous progress.

If employers are faced with rows of empty desks and unmanned machines, they are going to have to listen to the arguments.

*Diana Cornish is managing director of Brook Street.*

*The agency is soon to send a longer version of this article to the UK's top 1,000 companies.*

ECONOMICS

# Markets watch for signs of a US upturn

US INDICATORS should take centre stage this week after Mr Michael Boskin, the White House economist, suggested last week that the recession could have ended in April.

The National Association of Purchasing Managers' (NAPM) index, and the employment data for June will be keenly watched for signs of a strengthening economy. If they materialise, this should push up money market rates and the dollar.

A further sharp rise in the *dollar would be certain to test* the resolve of the Group of Seven industrialised countries to intervene to cap the dollar. Even so, the effects of such central bank intervention are acknowledged to be short-lived.

Non-farm payrolls rose by 59,000 in May, the first rise since June last year, with rises in employment evident across most sectors but especially in manufacturing. This sector posted a small rise after 14 months of falls. However, the outlook for higher employment is not entirely clear. There was an *unseasonally warm May*, while the rise in non-farm payrolls conflicts with the increase in nationwide unemployment to 6.9 per cent.

In the UK, there is nothing more exciting than official reserves figures, which have been distorted by Gulf war payments into the Treasury from the allies.

Other notable events and statistics, with median forecasts from *MMS international*, the finance research company, in brackets include:-

**Monday:** Germany, one-year anniversary of German eco*nomic and monetary union*. France, Bank of France repo. US, NY Fed President Corrigan in panel discussion on restructuring US/Japanese financial services. US, NAPM index (47.0), May construction spending (0.3 per cent). Japan, July trade balance, June forex reserves. Australia, May building approvals. UK, quarterly analysis of bank lending.

**Tuesday:** US, FOMC meeting. US, May factory orders (2.2 per cent), shipments. UK, June official reserves ($100m). Canada, April leading indicators.

**Wednesday:** Paris, OECD world economic outlook released. Spain, regular Bank of Spain repo. US, new home sales (3 per cent), auto sales (6.6 per cent). *London, Nedo meeting chaired by Mr Norman* Lamont, UK chancellor.

**Thursday:** US, Independence Day, US markets closed. UK, Walton, Liverpool, by-election. France, regular OAT auction. Germany, June unemployment (west, 9,000), May employment (west, 30,000).

**Friday:** Japan, May current account. New Zealand, April unemployment. Australia, May current account (down $1.3bn). UK, housing starts and completions for May, first quarter house renovations, cyclical indicators for UK economy. US, non-farm payrolls (50,000), manufacturing payrolls *(10,000), money supply data*.

**During the week:** Spain, trade balance ($2bn). Italy, trade balance (down IL 1.8tr). France, money supply. Germany, May industrial production (0.5 per cent), manufacturing output (0.5 per cent), manufacturing orders (down 0.1 per cent), June final cost of living (0.5 per cent m-o-m).

**Rachel Johnson**

## RESULTS DUE

BRITISH STEEL is due to present a gloomy set of results today, reflecting its fast falling *markets and intense competitive* pressures.

Analysts are looking for pre-tax profits for the year ended March of around £250m against £733m a year ago. As recently as January they had hoped for profits nearer £500m, but the second half has been downhill all the way.

The trading profit for the period should be about £80m against £320m for the previous second half, while full year trading profits will be around £310m against £708m.

*Also today, PowerGen, the* smaller of the two electricity, is expected report pre-tax profits, on a pro forma basis, at below £275m against a prospectus forecast of £264m and the dividend recommendation is likely to be the same as the prospectus forecast of 5.56p.

One relatively safe prediction can be made about today's annual results from Dowty, the recession-hit aerospace and information technology group – pre-tax profits look like falling by a quarter from the £85.4m reported in 1990.

Among other companies reporting during the week, General Electric is tomorrow expected to report a slip in pre-tax profits for the year ended March of some 5 per cent to £830m from £872m a year earlier.

Scottish and Newcastle, the brewer, is expected to turn in an increase in pre-tax profits for the year ended April approaching 20 per cent to about £220m.

## PARLIAMENTARY DIARY

■ TODAY
**Commons:** Debate on the Army.
**Lords:** Commons amendments to the Planning and Compensation Bill. Coal Mining Subsidence Bill, third reading.

■ TOMORROW
**Commons:** Labour-organised debates on housing and the privatised gas and electricity industries. Severn Bridges Bill, remaining stages.
**Lords:** Atomic Weapons Establishment Bill, committee.
**Select Committees:** Social Security – subject, the administration of the Social Security Department. Witnesses: DSS trade union officials (Room 21, 10.30am).
Agriculture – subject, disposal of fallen livestock. Witnesses: Master of Foxhounds' Association; Northern Ireland Local Government Action Committee (Room 20, 3.45pm).
**Committees on Opposed Private Bills:** London Underground (Safety Measures) Bill (Room 5, 10.30am). London Docklands Railway (Lewisham etc) Bill (Room 6, 11.00am).

■ WEDNESDAY
**Commons:** Estimates day debates on aid to Iraqi refugees, and future levels of employment and unemployment.
**Lords:** Commons reasons and amendments to the Criminal Justice Bill. Social Security (Contributions) Bill, report.
**Select committees:** Environment – subject, eco-labelling. Witnesses: *Tesco Stores Ltd (Room 21, 10.30am).*
Energy – subject, offshore safety management. Witnesses: Manufacturing, Science, Finance; Health and Safety Executive (Room 8, 10.45am).
Parliamentary Commissioner for Administration – subject, reports of the health service commissioner for 1990-91. Witnesses: Mr W Reid, health service commissioner; Mr R Oswald, deputy health service commissioner (Room 19, 10.45am).
Education – subject, education and training for the 21st century. Witnesses: Business and Technician Education Council; Further Education Unit and the Further Education Campaign Unit; Secondary Heads Association (Room 21, 4.05pm).
Health – subject, maternity services. Witnesses: Health Department officials (Room 16, 4.15pm).
Employment – subject, employment in prisons and for ex-offenders. Witnesses: Judge Stephen Tumim, chief inspector of prisons; Apex Trust (Room 20, 4.15pm).
Transport – subject, British Rail. Witnesses: Chairman and officials, British Rail (Room 15, 4.15pm).
Home Affairs – subject, home office annual report. Witnesses: Sir Clive Whitmore, and other Home Office officials.
Treasury – subject, intergovernmental conference on economic and monetary union. Witness: Francis Maude, MP, financial secretary to the Treasury.
**Committees on Opposed Private Bills:** London Underground (Safety Measures) Bill (Room 5, 10.30am). London Docklands Railway (Lewisham etc) Bill (Room 6, 10.30am).

■ THURSDAY
**Commons:** Estimates day debates on assistance to redundant steel workers, and the waiting list initiative.
**Lords:** School Teachers Pay and Conditions (No 2) Bill, committee.
**Committees on Opposed Private Bills:** London Underground (Safety Measures) Bill (Room 5, 10.30am). London Docklands Railway (Lewisham etc) Bill (Room 6, 10.30am).

■ FRIDAY
**Commons:** Private Members Bills.
**Lords:** Armed Forces Bill, second reading.



## CONTRACTS & TENDERS



## UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Personal Assets Trust, 1 Charlotte Square, Edinburgh, 12.30
Siam Selective Growth Trust, 4 Kings Arms Yard, E.C., 10.00
BOARD MEETINGS:
Finals:
Abtrust New Dawn Inv. Trust
Associated British Eng.
Dowty
In Shops
Lister
*Marling Inds.*
PowerGen
Scot. & Newcastle Brews.
South Western Elect.
Vardy (Reg.)
Yorkshire Elect.
Interims:
First National Fin. Corp.
*Prospect Inds.*
Teredo Petroleum
Witan Inv.

■ TOMORROW
COMPANY MEETINGS:
Alba, Harvard House, 14-16 Thames Road, Barking, Essex, 11.00
German Inv. Trust, 48 Chiswell Street, E.C., 3.45
German Smaller Co's Inv. Trust, 48 Chiswell Street, E.C., 12.30
RIT Capital Partners, The Royal Automobile Club, 86 Pall Mall, S.W., 12.00
Time Products, Claridges, Brook Street, W., 12.00
BOARD MEETINGS:
Finals:
Eastern Electricity
Evans of Leeds
General Electric
Interims:
Colorvision
Crest Nicholson

■ WEDNESDAY JULY 3
COMPANY MEETINGS:
Edinburgh Inv. Trust, Caledonian Hotel, Princes Street, Edinburgh, 12.00
Donelon Tyson, Lord Daresbury Hotel, Daresbury, Warrington, Cheshire, 11.00
Gieves, 37 Charles Street, W., 12.00
Land Securities, Claridges, Brook Street, Mayfair, W., 12.00
Rowe Evans Invs., Founders' Hall, 1 Cloth Fair, E.C., 12.00
Tootal, 28 Savile Row, W., 9.30
*BOARD MEETINGS:*
*Finals:*
Baker Harris Saunders
Hollas
Midlands Elect.
Save & Prosper Return of Assets Fd.
Seeboard
Interims:
Granada
*Newman Tonks*
Partridge Fine Arts
Southern Business

■ THURSDAY JULY 4
COMPANY MEETINGS:
Allied-Lyons, London Hilton Hotel, Park Lane, W., 11.30
*Fine Art Dev's, The Devonshire Arms*, Bolton Abbey, Skipton, North Yorkshire, 4.00
Fleming Far Eastern Inv. Trust, 25 Copthall Avenue, E.C., 12.00
Hampden Homecare, Hampden House, 14A Garfield Street, Belfast, 11.00
Highcroft Inv. Trust, The Dog House Hotel, *Frilford Heath, Oxford, 12.00*
*Hunter Saphir, Springhead Enterprise Park,* Springfield Road, Northfleet, Gravesend, Kent, 9.30
Mezzanine Cap. & Inc. Trust, 41 Tower Hill, E.C., 12.30
Ritz Design, Welsh House, Welsh Row, Nantwich, 11.00
Sainsbury (J.), Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, S.W., 12.00
Sindall (Wm.), Gonville Hotel, Cambridge, 12.15
Smith (James) Estates, Claswood House, Lower Beeding, West Sussex, 11.30
Westbury, Golden Valley Hotel, Gloucester Road, Cheltenham, 3.00
Yorklyde, Moorbrook Mills, New Mill, Huddersfield, 11.30
BOARD MEETINGS:
Finals:
Boscombe Prods.
Brown & Tawse
Burtonwood Brewery
Druck
*Gold Greenless Trott*
Ivory & Sime
MS Intl.
Markheath Securities
Northern Electric
Scottish Hydro-Electric
Stirling
Umeco
Interims:
Dewhurst
Securicor
Security Services

■ FRIDAY JULY 5
COMPANY MEETINGS:
Elga, 135 Bishopsgate, E.C., 12.00
Halls Homes & Gardens, Paddock Wood offices, Church Road, Paddock Wood, Kent, 2.30
TDS Circuits, Whitebirk Estate, Blackburn, 11.30
BOARD MEETINGS:
Finals:
*Fuller, Smith & Turner*
Menzies (John)
Quiligotti
Interims:
Aberforth Smaller Co's
City Site Estates
East German Inv. Trust
M & W
*Company meetings are annual general meetings unless otherwise stated.*

## DIVIDEND & INTEREST PAYMENTS

■ TODAY
ABB Kent 4½% Prf. 1.575p
ABI Leisure 1.67p
AMEC 6.25p
API 2.75p
*Aberfoyle 8% Cnv. Uns. Ln. 1995 4pc.*
Alexon 8.5p
Allied Lon Props. 1.075p
Ambassador Security 0.35p
[illegible]

Johnson Cleaners 9% *Prf.* 3.15p
Do. Cnv. Red. Prf. 3.75p
*Kenning Motor* 5½% Prf. 1.295p
Do. 7% Prf. 2.45p
Kensington & Chelsea (Royal Borough) 11.15% Red. 2006 11.15pc.
Kershaw (A.) 8% A Prf. 2.8p
Kingston Oil & Gas 1p
LWT Cnv. Pfd. 1.0…
[illegible]

Prf. 1.925p
Trade Indemnity 1p
Travis Perkins 5.5p
Tyne Tees TV 13p
UniChem 1.5p
United Biscuits 9.1p
Usborne 1p
Usher-Walker 7.5p
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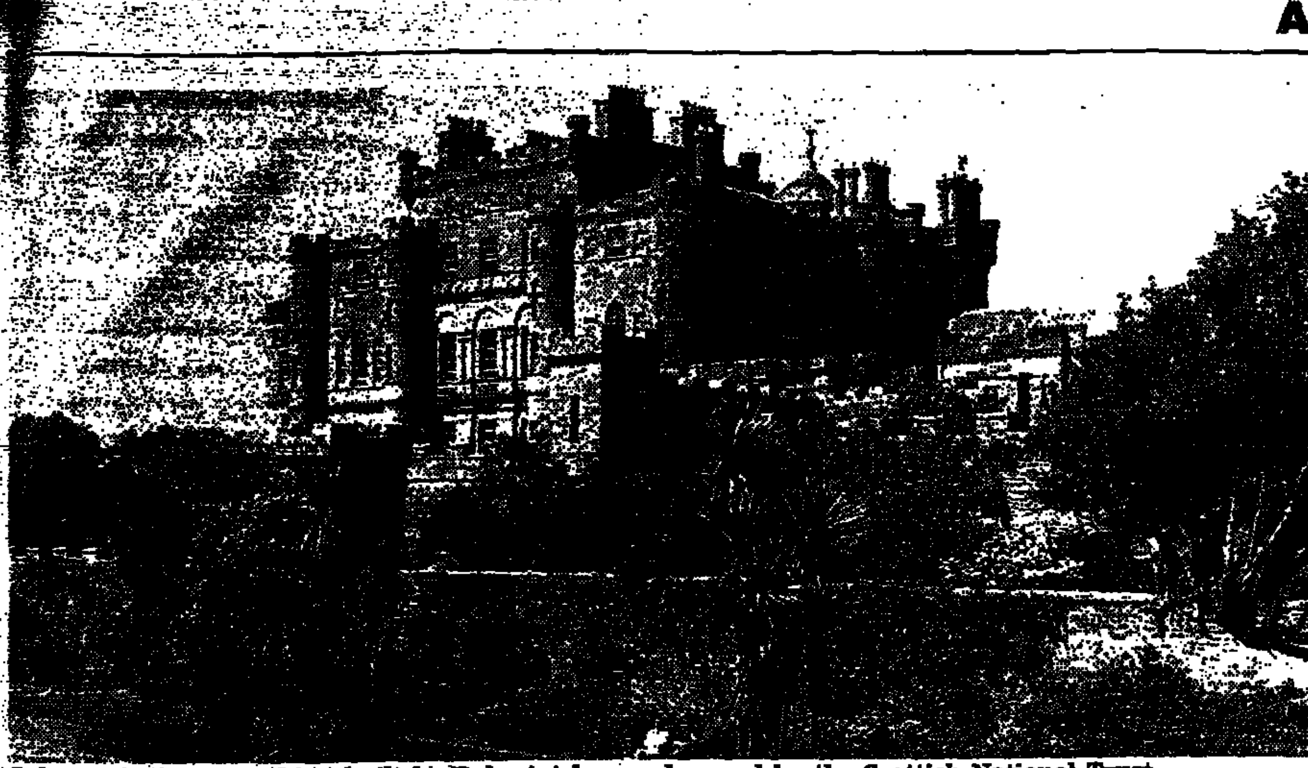
## ARTS



Culzean Castle, Ayreshire, built by Robert Adam and owned by the Scottish National Trust

ARCHITECTURE

# *Scots celebrate a Diamond Jubilee*

The National Trust for Scotland is 60 this year. With the help of BP Exploration it is celebrating its Diamond Jubilee with an exhibition at The Burrell Collection in Glasgow called *Pride of Place* (until August 14). It is right and proper to enjoy an anniversary but it is also the time for a few reflections. The fact that Scotland's National Trust is completely independent from its English counterpart prompts some questions about the national differences in attitudes towards the heritage. No one visiting Scotland can ignore the fact that the Scots take the idea of Britain seriously: it is after all only the English who believe that England is Britain.

The Scots also take the idea of education seriously. It cannot just be a coincidence that both the British Museum and the National Gallery in London have Scottish directors. I felt very strongly on a recent visit to Scottish National Trust properties, particularly Culzean Castle and Country Park in Ayrshire, that a democratic sense of wanting to share the heritage exists in Scotland in a way that it simply does not in England. The Scottish National Trust also takes its mandate , "to promote the preservation of lands and buildings", very seriously. Promotion means taking a political role and encouraging important new Government initiatives such as the the new Scottish Natural Heritage, which will combine the functions of the Countryside Commission for Scotland and the Nature Conservancy Council. As a greening operation for its jubilee the Trust intends to plant 100,000 trees native trees to replenish the woodlands.

There are two particularly unusual and important initiatives that the Trust has taken in Scotland. One is the small houses scheme in Culross which, by the establishment of a revolving fund, enabled the purchase and restoration of 16th and 17th century vernacular houses in a small burgh on the Firth of Forth. This ingeniously financed scheme has allowed the upgrading of ordinary old houses which have great importance as an architectural group, and resulted in the resurrection of an historical community.

The second brave deed of the Trust was the purchase of a typical 19th century Glasgow tenement in 1982, which is now shown as a slice of precisely preserved social history. It is in the Garnethill residential district in Glasgow's West End and is a complete survival, with the furniture and domestic items of a family who lived there for more than 50 years.

It is the intelligent range of properties, either bought or given to the Trust, that is so remarkable. In Edinburgh the Trust occupies and shows the fine house by Robert Adam in Charlotte Square as well as the typical 17th century tenement building, Gladstone's Land in the Old Town. The addition of Charles Rennie Mackintosh's The Hill House at Helensburgh has given the Trust a remarkable and important example of early 20th century architectural design. There are lessons here for the English National Trust, always reluctant to take on urban property.

One of the most important houses owned by the Scottish National Trust is Culzean Castle in Ayrshire. Robert Adam's great stone castle on the cliffs overlooking the Isle of Arran is one of the most romantic houses in the world. It is also important as the great turning point in architecture where the neo-classical style and plan is breaking out of the castle style and bringing the light of Italy and the Mediterranean to Britain. It is important to remember, when you walk up the great oval stair of Culzean, not just the spirit of Vignola and his achievement at Caprarola, but the fact that Robert Adam did invent something entirely new. His style grew and spread around the world from St. Petersberg to Boston. As his contemporaries said, "all the world is Adamatic."

The opportunities at Culzean for learning about Adam are certainly there, but I was slightly disappointed at the way the house is shown. The lack of really good furniture does not help, and the use of the house for a flower festival is very unbecoming. Adam is frequently criticised and misunderstood for his "icing sugar" approach to decoration. What an irony to find in the great dining room at Culzean a monstrous display of spun sugar work on the mahogany table. I realise that these are only temporary lapses, but they undermine the only way that the art of architecture and decoration can be understood – and that is by elevating the experience of these houses, not using them to play to the gallery in a popular way.

The great success of the Culzean Castle Appeal – some £2¼m raised from private individuals and companies – is proof that there is public affection for the best. Much of this money is to be spent on the diligent restoration of the garden and park buildings. One million pounds will restore Adam's great viaduct that gives Culzean its truly picturesque approach. I hope some of the money will be spent on architectural education, too.

There are plans afoot for a major international exhibition devoted to the work of Adam that will be shown in Edinburgh, London and New York. This gives a special opportunity to reexamine both his decorative and architectural achievement. It should deal with the whole question of style and how it is invented. If it happens, this will not be until 1994. It is a challenge to any organiser to ensure that it is not just another "Treasures of Adam" type of exhibition, but a didactic and pleasurable display that enlightens and helps our appreciation of the creative genius of this remarkable architect.

**Colin Amery**

# *La clemenza di Tito*

**GLYNDEBOURNE**

Mozart's last opera arrives this bicentennial season for its belated Glyndebourne premiere, in a production (sponsored by IBM) that is in most respects a triumph of intelligence and fine tuning. Other companies (notably Covent Garden in 1974) may have led the way in challenging received opinion, in putting the case that this opera, far from being the marble white elephant of legend, dashed off in haste and constructed of grandiose commonplaces, is Mozart's considered mature re-investigation of *opera seria*. But no previous production of my experience has devised so forcefully convincing an argument for the work as powerful, cogent neo-Classical *dramma per musica*.

In Glyndebourne's small theatre, and in a staging that fuses the talents of Andrew Davis (conductor), Nicholas Hytner (producer), David Fielding (designer)and Jean Kalman (lighting director), *La clemenza di Tito* is treated with revelatory seriousness.

Some apologists attempt to show that the opera can be made dramatic almost in spite of itself (one thinks of Ponnelle's famous European productions, with their infusions of high melodrama). Hytner and his colleagues have scanned the work to confront its meanings afresh. And this, it seems, has led them to examine the libretto with a new respect which the audience is persuaded to share.

In Fielding's severe, brilliantly imagined single set – a rotunda enclosing a ramped stage with angled side walkways – the possibilities of making the opera at once ancient and modern are pregnant, and the clear-eyed authority of the production realises every one. Roman visual details (costumes, fresco motifs, the planting of statuary, the use of an imperial-purple front curtain) abound; episodes of Roman ritual are achieved with severely dignified choral formations. And at the same time this living Roman world is placed with fastidious acuteness in a "past" time-frame: the frescoes break off in decay, the stage angles and lighting create hard late-20th-century planes of perspective.

What this double focus seems to state is that Metastasio's text (as adapted for Prague by Mozart and the librettist Mazzolà) is worthy of re-examination in 1991. The side-stage image of a statue Titus, revealed during the overture, is balanced by that of Philip Langridge in the same pose and position as the opera ends; in between,the dramatic handling – and specifically Mr Langridge's wholly believable flesh-and-blood characterisation of the emperor – forces us to re-think, and dismiss utterly, the old gibes about cardboard clemency.

The political and psychological perspicacity of the production is remarkable. Hytner's gift of economical stage activity that sheds new light on situation and character leads to a taut, complex treatment of the final scene: no automatic pardons and sanctimonious showers of praise but human beings stained forever by their choice of action.

Ashley Putnam's Vitellia (whose beauty intriguingly allows her to suggest modern Washington as well as ancient Rome) and Diana Montague's Sextus will never be the same again; and Mr Langridge's Titus is left a lonely, un-statue-like figure.

The context for the music proves constant illumination: the melodies have seldom released more shafts of meaning, without losing their limpid mature-Mozart simplicity. And though on Friday evening the playing of the LPO was not always in full bloom, Davis's conducting showed a response to the staging – and, of course, the opera – that aptly brought out both grandeur and dramatic vitality. He can now afford to instruct his singers in the pressing need for a wider range of dynamics; the acoustical properties of the set promote volume more effectively than some appear to realise.

Alastair Muir

Ashley Putnam, left, and Diana Montague

The new recitatives by Stephen Oliver (replacing those underrated ones by Süssmayr) are bold and well-paced, if overly reliant on jagged intervals; but in the opening scenes the vocal loudness lent them an unnecessarily hectoring note.

This aside, it is a distinguished cast. Vocally,Miss Montague's magnificently stylish Sextus, so pure and unforced of tone, so subtle and shapely of phrase, and the hot-blooded Annius of the excellent French mezzo Martine Mahé (whose Italian words have particular bite and colour) are its outstanding members. Mr Langridge handles with typical skill the numbers that try his florid technique hard. Severely taxed at both ends of Vitellia's exorbitant compass, and in spite of a soprano not really "Classical" in timbre, Miss Putnam shows us a fascinating heroine – impulsive, undone by heedless reliance on her obvious physical charms.

Attractive Servilia (Elzbieta Szmytka); unusually imposing Publius (Peter Rose). The beauty and deep seriousness of the whole experience leave an impression that is far more than the sum of its vocal parts.

**Max Loppert**

# *La Cenerentola*

**COVENT GARDEN**

What we had on Friday was not so much a "revival" of Michael Hampe's Rossini production – made for Salzburg three years ago, acquired by the Royal Opera last April – as a completion or fulfilment of it. Now it plays splendidly, with a far better-matched cast in David Massarella's excellent "re-staging"of the action (more than just a loyal copy).

The late Mauro Pagano's austere-but-elaborate sets are lit with notable ingenuity by John B. Read, and shifted and switched up to pace with the conductor Carlo Rizzi's unrelenting brio. Anne Sofie von Otter's new Cinderella – her first – is quite wonderful.

Besides Rizzi, the other mainstay from first time round is Claudio Desderi's Don Magnifico, her reprobate stepfather, a ripe comic model of fluster and bluster. All the newcomers boast real virtues. Jeffrey Black's Dandini, the royal valet, is lively and personable; the romantic baritone timbre he likes to cultivate echoes a later period than Rossini's, I think, and it hampered authentically crisp, front-of-the-mouth articulation in his *presto* patter-singing (Dandini has a lot of that). As the royal guru Alcindoro – something between Prospero, Sarastro and the Blue Fairy – Giorgio Surjan offers a sweeping manner and sound musical sense.

Catriona Smith and Anne Mason are the mean step-sisters, neatly paired but no more seriously nasty than Desderi's Magnifico. Little Miss Smith, sullen and sulky, is a good foil for the mezzo Miss Mason's broader comic flair, bug-eyed and protesting.

The new Prince is Raúl Giménez, who wields his bright, lusty tenor in high Rossinian style.

The von Otter Cinders would triumph in any test. Her "Non più mesta" at the end is thrilling. It is a rapturous assumption of her noble new role. It is also a benediction, radiant with love and forgiveness; it elevates the opera to a fresh height. Never mind if you can't get to Glyndebourne: just ring the Royal Opera without a moment's delay, and take anything they can offer for this enchanting *Cenerentola*.

**David Murray**

# *ANNE FRANK*

**COLISEUM**

English National Ballet's current triple bill is a horrid example of perverse planning. Two light-weight pieces - the equivalent of Sir Thomas Beecham's lollipops - precede the inevitably harrowing *Anne Frank*.

If technical problems dictated the programme order, then the choice of works was wrong. If the choice was deliberate, then the management needs to reconsider the artistic shape of an evening in the theatre - and probably couldn't order a meal in a restaurant without deciding that steak tartare is a suitable pudding.

*Anne Frank*, new to the ENB repertory, has been acquired from the Argentinian choreographer Mauricio Wainrot. Wainrot's Polish Jewish ancestry, the loss of members of his family in the Holocaust, give his choice of subject a particular intensity. He has, commendably, treated his theme without hysteria, and has discerned in Anne Frank's diary the story of a girl growing to womanhood as a parallel to the horrors of her wartime situation.

There is a properly claustrophobic setting of an attic by Carlos Gallardo, which yields sudden views of the death camps as an omnipresent menace.

Wainrot's choice of score is Bartok's Music for strings, percussion and celeste, whose moods he turns to sure dramatic effect - Bartok's nocturnal sounds are well matched with the uneasy repose of the Frank family and their friends.

I am less convinced, though, by the interpolation of strains of *Lili Marlene* and the sound of pouring rain after each of Bartok's movements to remind us of the German military who haunt the action in caricatured fashion.

ENB's dancers give serious, well controlled interpretations. Josephine Jewkes is delicate, true, in capturing both Anne Frank's watchfulness and her developing emotional life; Dominick Hickie and Renata Calderini as her parents, and the other members of the cast, preserve the integrity of historical fact in playing that is always dignified.

The evening begins with Ronald Hynd's *The Sanguine Fan*, a Wildean caprice which the company - with the exception of the beautiful Louise Hynd, who makes excellent sense of her worldly role as she does of her pretty frock - present with the wit and lightness of undertaker's mutes.

There is not much more lilt to their account of Vincente Nebrada's *Our Waltzes* which follows. This is a flimsy but determined display of one-two-three inspired by the salon waltzes of Teresa Carreno. These are naggingly alike, and no less so the dances for five couples, which make one regret the fashion for piano ballets.

The choreography suggests the swoons and swirls of exhibition skating at its most predictable, but when the Royal Winnipeg Ballet presented *Our Waltzes* in London a few years ago , the presence of Evelyn Hart, bending, reed-slim, to the music's pulse, was a flame dancing about the stage. Nothing so magical happened on Friday night with ENB's artists. It was all dreadfully worthy, and if waltzing is that, it is nothing.

**Clement Crisp**

# *Liverpool Oratorio*

**ANGLICAN CATHEDRAL, LIVERPOOL**

An unbroken 105 minutes of turgid choral soap-opera was given two successive performances, première and deuxième, at Liverpool this weekend: a Sargasso Sea of musical inertia with a few decent tunes and a lot of maundering, sententiousness and flat-voiced banality.

As all the world must know by now, it is entitled Paul McCartney's *Liverpool Oratorio*, and ascribed to Paul McCartney and Carl Davis as authors.

As far as one can understand it, the collaboration has worked out as follows: the former has provided the "inspiration", in the form of the libretto (on the "Liverpool life" of the boy Shanty – Indian word for peace, geddit? – and the girl Mary Dee) and the melodic starting-points; the latter has spun them out into a *soi-disant* oratorio for the 150th birthday of the Royal Liverpool Philharmonic Society.

Davis's duties have also extended to conducting the Royal Liverpool Philharmonic Orchestra and Choir, the Liverpool Cathedral boy choristers, and four first-rate soloists: Jerry Hadley (his high lyric tenor in excellently sweet, soaring form) as Shanty, Kiri Te Kanawa as Mary Dee, and Sally Burgess and Willard White as an assortment of characters – teacher, nurse, preacher, workmate – on their route to adulthood, marriage and (after a rocky start) domestic happiness-ever-after. It all reeks of hard-striven-for artistic respectability; which is itself a large part of the problem.

Why the ex-Beatle should have wanted to mark his own half-century of existence with a Life Statement on this scale is a mystery.

Having elected to go for broke in the traditional English-oratorio form, the partnership seems in the end suffocated by it. After a pleasing start, in the opening movements, "War" and "School", McCartney's melodies begin to sound terribly samey.

The finale, a hymn to the joys of bourgeois domesticity, sums up, alas, the achievement: so un-challenging, so fearfully worthy, so *dull*.

**Max Loppert**

## INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

### ■ AMSTERDAM

**Concertgebouw** 20.15 Frans Bruggen conducts Orchestra of the 18th Century in a Haydn programme, with Marinella Pennicchi soprano soloist. Wed: violin recital by Frank Peter Zimmermann. Thurs: Hans Vonk conducts Netherlands Radio Philharmonic Orchestra (6718 345)
**Beurs van Berlage** 20.15 Jean-Jacques Kantorow conducts Orchestra of the Rotterdam Conservatoire in Tchaikovsky's Serenade for Strings, Shostakovich's Concerto for piano, trumpet and orchestra, plus The Rite of Spring (6270 466)
**Muziektheater** 20.15 Dutch National Ballet triple bill: William Forsythe's Artifact II, a new work by Toer van Schayk and Nijinska's Les Noces. Repeated tomorrow and Wed. Fri: Rudi van Dantzig's farewell programme (6255 455)

### ■ BERLIN

**Deutsche Oper** 19.00 Christoph Prick conducts Gotz Friedrich's production of Le nozze di Figaro, with Margaret Marshall as the Countess, Marie McLaughlin as Susanna and Gabriele Sima as Cherubino, also Thurs. Tomorrow: Fidelio. Wed and Sat: Der Freischutz (3410 249)
**Schauspielhaus** 20.00 Hans-Joachim Rotzsch conducts Leipzig Thomaner Choir in a programme of Bach. Wed and Thurs: Jorg-Peter Weigle conducts Berlin Staatskapelle in music by Joachim Gruner, Richard Strauss and Dvorak. Fri: John Eliot Gardiner conducts English Baroque Soloists. Sat: recital by Peter Schreier (2272 261)

### ■ COLOGNE

**Philharmonie** 20.00 James Conlon conducts the Gurzenich Orchestra in Bruckner's Seventh Symphony and Mozart concert arias. Repeated tomorrow (2801)
**Opernhaus** 20.00 Broadway production of West Side Story, runs till Sat (221 8400)
**Schauspielhaus** 19.30 Tanz-Forum opens its 18th annual Week of Modern Dance. Tonight: works by Joe Alegado, Richard Wherlock and Jochen Ulrich (221 8400)

### ■ GENEVA

**Grand Theatre** 20.00 Gabriele Ferro conducts Rossini's Guillaume Tell, with Jose van Dam in the title role, Chris Merritt as Arnold and Jane Eaglen as Mathilde. This is the final performance of the Geneva opera season (212311). Thurs at Hotel de Ville: Michel Tabachnik conducts the Orchestre de la Suisse Romande (289982)

### ■ GLASGOW

**Royal Concert Hall** 20.00 Herbie Hancock and Wayne Shorter open a week of events organised by the Glasgow International Jazz Festival. Tomorrow: Oscar Peterson. Wed: Cleo Laine and John Dankworth. Thurs: B B King. Sat: David Sanborn (041 227 5511)

### ■ LONDON

**MUSIC AND DANCE**
**Coliseum** 19.30 English National Ballet triple bill: Mauricio Wainrot's Anne Frank, Ronald Hynd's The Sanguine Fan and Vicente Nebrada's Our Waltzes. Tomorrow and Wed: John Cranko's Onegin. ENB Coliseum season runs till Sat (071 836 3161)
**South Bank Centre** 19.45 Louis Armstrong anniversary concert with Humphrey Lyttleton and his Band: the 22nd annual tribute to Satchmo also becomes a 70th birthday tribute to Lyttleton, one of Britain's leading jazz musicians, who took part in the first of these anniversary concerts in 1972. Tomorrow: Sinopoli conducts Verdi's Requiem. Sun: Paul McCartney's Liverpool Oratorio. From today till Sat, the South Bank Centre hosts the National Festival of Music for Youth, with daytime and evening events, culminating on Sat with Keep Music Alive in Our Schools Day, during which Simon Rattle will conduct the largest youth orchestra ever assembled (071 928 8800)
**Purcell Room** 20.00 Mozart and Schumann programme with Blundell's School Soloists (071 928 8800)
**Royal Albert Hall** 19.30 Oscar Peterson, with Herb Ellis and Ray Brown (071 589 8212)
**THEATRE**
**Plays**
**The Lyric Hammersmith** (071 836 3464) this week presents a limited run of six performances of the widely-travelled Theatre Royal, Plymouth, production of Daphne du Maurier's Jamaica Inn, with William Gaunt as the Innkeeper.
**The Royal Court** opens a week-long run on Wed of Rose English: The Double Wedding, featuring ice-skaters, aerialists and the imagination and humour of an eccentric mind.
Rose Tattoo, at the **Playhouse**, is a Peter Hall Company production of Tennessee Williams' play set in Louisiana in the 1940s, with Julie Walters as the mourning young widow whose spirits are lifted by the arrival of a truck driver.
At the **Comedy**, Donald Pleasence returns to the role he created 31 years ago in Pinter's enigmatic play The Caretaker, this time directed by the author himself.
Edward Fox and Tim Brooke-Taylor star in a revival of Christopher Hampton's comedy The Philanthropist at **Wyndham's**.
For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

### ■ MILAN

**Teatro alla Scala** 20.00 Riccardo Muti conducts Jerome Savary's production of Attila, with a cast led by Linda Roark-Strummer, Ferruccio Furlanetto and Paolo Gavanelli, also Thurs, Sat and next Mon. Tomorrow: La boheme, with Mirella Freni as Mimi and Roberto Alagna as Rodolfo (7200 3744)

### ■ MUNICH

**Philharmonie** 20.00 Jiri Belohlavek conducts Munich Philharmonic Orchestra in Schumann's Genoveva overture, Dvorak's Fifth Symphony and Sibelius' Violin Concerto, with Viktor Tretyakov, also tomorrow (48098 614)
**Staatsoper** The Munich Opera Festival opens on Sat with the world premiere of Penderecki's Ubu Rex, followed on Sun by a revival of Intermezzo conducted by Gustav Kuhn, with Felicity Lott as Christine and Hermann Prey as Storch. The festival runs till July 31 (221316)

### ■ NEW YORK

**MUSIC**
**Metropolitan Opera** 20.00 Bolshoy Opera production of Rimsky-Korsakov's opera-ballet Mlada, also tomorrow. Wed and Fri: Tchaikovsky's Maid of Orleans (362 6000)
**THEATRE**
**Broadway** Getting Married, G B Shaw's 1908 play taking a comic look at marriage, has just opened at the Circle in the Square, in a production directed by Stephen Porter with costumes by Holly Hynes. The cast is led by Simon Jones, Victoria Tennant and Lee Richardson.
Lost in Yonkers at **Richard Rodgers Theater** is Neil Simon's Pulitzer Prize-winning play about an embattled New York family in 1942.
The Will Rogers Follies, which won six Tony awards including best musical, is an old-fashioned all-American extravaganza directed with customary flair by Tommy Tune at the **Palace Theater**, with a cast led by Keith Carradine.
John Guare's play Six Degrees of Separation, at the **Vivian Beaumont Theater**, is a dark comedy about a young con man who dupes several wealthy New Yorkers.
Ticketron answers inquiries and sells tickets (246 0102)

### ■ PARIS

**Opera Bastille** 19.30 Armin Jordan conducts Robert Wilson's production of Die Zauberflote. The cast is led by Gosta Winbergh, Cynthia Haymon, Christian Boesch, Wolfgang Schone and Carsten Stabell. The production runs till July 19, with next performances on Wed and Fri (4001 1616)
**Comedie Francaise** 20.30 Beaumarchais' Le Barbier de Seville, also Fri. The repertory for the rest of the week includes Marivaux's comedy La Fausse suivante (tomorrow), Aime Cesaire's La Tragedie du roi Christophe (Wed and Sat) and Moliere's Le Malade imaginaire (Thurs). The season continues till July 31 (4366 4360)

### ■ STUTTGART

**Staatstheater** 19.00 Three one-act operas by Ernst Krenek. Tomorrow and Sat: Garcia Navarro conducts Carlos Saura's new production of Carmen, with Martha Senn in title role and Neil Shicoff as Don Jose. Wed: Michael Schonwandt conducts Don Giovanni. Sun and next Mon: Garcia Navarro conducts music by Falla in the Liederhalle. The season continues till July 13 (221795)

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1930-2000 FT Business Weekly
2330-0030 FT Business Weekly
*Sky News*
1030-1100 FT Business Weekly
*CNN*
0710-0740 Moneyweek
1540-1610 Your Money
1900-1940 Moneyweek
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# Yugoslav test for Europe

HOW WILL it be known to future generations? The Yugoslav civil war? The Slovene war of independence? The beginning of the Great Balkan wars? Or simply the 1991 Yugoslav crisis? No one knows. But it is, for certain, the first real test of the post-cold war security order in Europe. As such, it will have very important consequences well beyond the borders of Yugoslavia.

Tempting providence, one other prediction can be made: this will not be the beginning of the third world war. Although some of the local factors in the Balkans appear to have changed little since 1914, the international context is very different, even from five years ago. Europe today is no longer an armed camp of rival powers or power blocs, each ready to react instantly to the smallest encroachment by the other on its interests or those of its protégés.

*That does not* mean the Yugoslav conflict can safely be ignored. Even without igniting a Europe-wide conflagration, the break-up of Yugoslavia on ethnic lines can trigger several international conflicts within the Balkans, as well as giving a potent example to other countries in central and eastern Europe where ethnic communities are in dispute.

And even if the conflict is contained within Yugoslavia it is all too likely to produce waves *of refugees, mainly* towards western Europe, most obviously Austria and Italy, the northern and western neighbours, but including others, notably Germany, with substantial and anxious immigrant populations from Yugoslavia.

## Focus of aspirations

Also, the European Community has a degree of leverage, and therefore responsibility, *not only as the donor or organ*iser of large amounts of economic aid, but also as the focus of aspirations among all the peoples of Yugoslavia. Croats and Slovenes may think they can "join Europe" by escaping from Yugoslavia, but the Serbs do not regard themselves as any less European. Last week's attempt at mediation by the EC was, significantly, a response to appeals both from the breakaway republics and from the federal government. It is clear, moreover, that in this region the US is happy to leave the initiative to Europeans.

Finally, normal human feelings forbid other Europeans to watch idly while Yugoslavia slides into chaos and all-out war. In more distant places impotence may be an acceptable excuse, but in Yugoslavia feelings of solidarity are reinforced by physical proximity, and by the principles of the Conference on Security and Co-operation in Europe (CSCE), which have eroded, if not quite abolished, the formerly sharp distinction between internal and external affairs.

## Observer force

But what can be done? Mediation, even backed by leverage, has not been an instant success. Can troops be sent to stop the fighting, and if so whose? Nato has no standing in the *matter, since none of its mem*bers has been, or is likely to be, attacked. No foreign government will wish to involve its forces in the fighting on one side or the other; and given the complexity of the issues that is surely wise.

An observer force to help police an agreed ceasefire while negotiations are resumed seems a more feasible option. In other parts of the world such forces operate under the United Nations flag, but in *Europe a CSCE flag might* be appropriate, while the Western European Union, perhaps acting on a steer from the EC, could co-ordinate the levying and despatch of appropriate units from among its members.

Clearly the institutional mechanisms of the post-cold war European order are not yet in place. But in real life institutions are more often improvised to deal with specific crises than built from a comprehensive architectural *design. The Yugoslav crisis has* at least given some tangible reality to the issues discussed recently by the CSCE foreign ministers in Berlin, and by the EC heads of government in Luxembourg. The EC's need for a common foreign and security policy, and the need of Europe as a whole for institutions to manage conflicts and settle disputes peacefully, is being all too graphically demonstrated.

# Kuwait needs to do better

THE DECISION by Kuwait to commute the death sentences passed on people of other nationalities accused of collaborating with the Iraqi occupation suggests some improvement in the government's sensitivity to international opinion. It is not before time.

The decision to prosecute others similarly accused before the civil courts, and not military tribunals, is also to be welcomed. Too often during the past two months, too little evidence has been produced to support charges which, even had the accused been more obviously culpable, could have merited the severity of the sentences passed down by the military judges.

The Kuwait government should take the next logical step and order a full review of the evidence produced at the original hearings and provide proper opportunities for defence lawyers to be heard. *This could go some way* towards dispelling the image of a vengeful government seeking retribution against those least able to defend themselves, while the most senior Kuwaiti nationals apparently escape any blame for what was a military débâcle. To have spent so many billions on dollars on defence to such little effect should surely demand an official inquiry conducted with the same vigour as that spent on pursuing collaborators.

It is not, of course, the responsibility of the US-led coalition forces – whose war aim was to restore the legitimate government of Kuwait – to attempt now to decide what form that government should take. But, having been liberated at such cost, Kuwait, and especially the ruling al-Sabah family, cannot escape all political consequences.

## Political price

The Gulf war made obvious what was already well known. Kuwait, like other Gulf emirates, cannot defend itself against a larger and more determined predator. There is a political price to be paid for such dependence and Kuwait has been hearing it ever more emphatically from a succession of visiting ministers.

The domestic success achieved by President Bush in restoring US military pride is being tarnished by what his troops have left behind in the Gulf. President Saddam Hussein remains in power and shows disturbing signs of recovering some of his self-confidence. The Kurds in the north and the Shias in the south continue to suffer terribly at his hands. There is little evidence of a new security order emerging in the Gulf or of any progress having been made towards resolving the Arab-Israel conflict.

## Dismal list

It would be helpful to Mr Bush and his western allies if, to offset this dismal list, there could be cited at least one example in support of the argument that there was more to the Gulf war than denying the acquisition of territory by force or securing future oil supplies. As the only people so far to have benefited directly from the vast *international military* effort, there was inevitably some hope that liberated Kuwaitis would respond accordingly.

It would be unfair to expect too much, too quickly from a small country recovering from the trauma of occupation. But the continued abuses of human rights, the arbitrary expulsion of non-nationals to Iraq, the denial of the most basic democratic rights to Kuwaitis who remained in the country throughout the occupation, and the apparent lack of commitment by many nationals to getting the country fully on its feet again, remain extremely disturbing on two levels.

First, it delays the moment when Kuwait can again responsibly resume its place within a regional security framework. The absence of a coherent national policy which would attract the support of the majority of the population, together with a proliferation of weapons in private hands, is a potentially dangerous mix.

Second, Kuwait must be aware that the image it has projected since liberation will not help western governments attract public support for military action should the emirate again be threatened. If Kuwait's western supporters ever begin to think like some of its Arab detractors then it will have lost its only valid insurance policy.

**Martin Wolf** argues that radical policy changes are needed in both east and west Germany if economic union is to succeed

# A nation unified, and yet apart

The economic integration of the erstwhile German Democratic Republic into an enlarged Federal Republic began, with German economic and monetary union (Gemu), a year ago. The absorption of a closed, socialist economy into the world's third-largest industrial market economy let loose the gales of what the great Austrian economist, Joseph Schumpeter, called "creative destruction". So far east Germany has experienced the destruction and west Germany the creation:

- East German industrial production fell by 43 per cent between July 1990 and February 1991. But west German industrial output rose by 8 per cent between July 1990 and April 1991.
- East German gross national product fell by about 15 per cent between 1989 and 1990 and is likely to fall by at least as much between 1990 and 1991. West German GNP rose by 4.5 per cent between 1989 and 1990 and is projected by the Organisation for Eco*nomic Co-operation and Development* to grow by 2.8 per cent between 1990 and 1991.
- The number of registered unemployed in east Germany rose from 270,000 in July 1990 (2.8 per cent of the unsustainably large labour force of the end of 1989) to 840,000 (8.6 per cent) in *May* 1991 and the number on short-time work rose from 660,000 (6.7 per cent of the labour force) to 1.96m (20.1 per cent). Some 250,000-300,000 east Germans commute daily to the west, while net migration since 1989 stands at about half a million. Meanwhile, the number of unemployed in west Germany has fallen from 1.86m (6.4 per cent of the labour force) in July 1990 to 1.6m (5.4 per cent) in May 1991.
- Only in wages have the two economies grown closer together. The ratio of wages per employee in east Germany to that in west Germany rose from 32 per cent in the second half of 1989 (and even that only at the generous conversion rate of one to one) to about half in the first half of 1991. Because of declining output, labour costs per hour worked in east Germany rose by 73 per cent between the second and fourth quarters of 1990. A pattern-setting contract with the metal workers' union in March 1991, is expected to achieve parity in wages (though not in fringe benefits) in 1994.

**Most eastern industry will have to close unless there is massive productivity improvement or continued subsidies**

Gemu followed a short, but intense debate, which pitched the politicians, notably Chancellor Helmut Kohl, and the population of east Germany against Mr Karl Otto Pöhl, the president of the Bundesbank, and most west German economists. Given what has since happened in the Soviet Union, Mr Kohl was perhaps more right on the politics than he knew. But the economists were more right on the economics than they knew.

At the time of currency union it was thought that perhaps a third of east German companies would go out of business. It is now clear that most eastern industry will have to close, in the absence of massive productivity improvement or continued subsidisation. No wonder Mr Pohl described unification as a "disaster".

It has been an expensive one. East Germany now receives what must be the largest transfer programme, in relation to the income of the recipient, in history. According to Mr Horst Siebert, president of the Kiel Institute of World Economics, more than half east Germany's GNP consists of transfers.[1] In 1991 the *deficit* of the east German public sector, to be covered by west German taxes and borrowing on west German credit, is expected to be about two-thirds of total east German public spending (and roughly equal to Polish GNP).

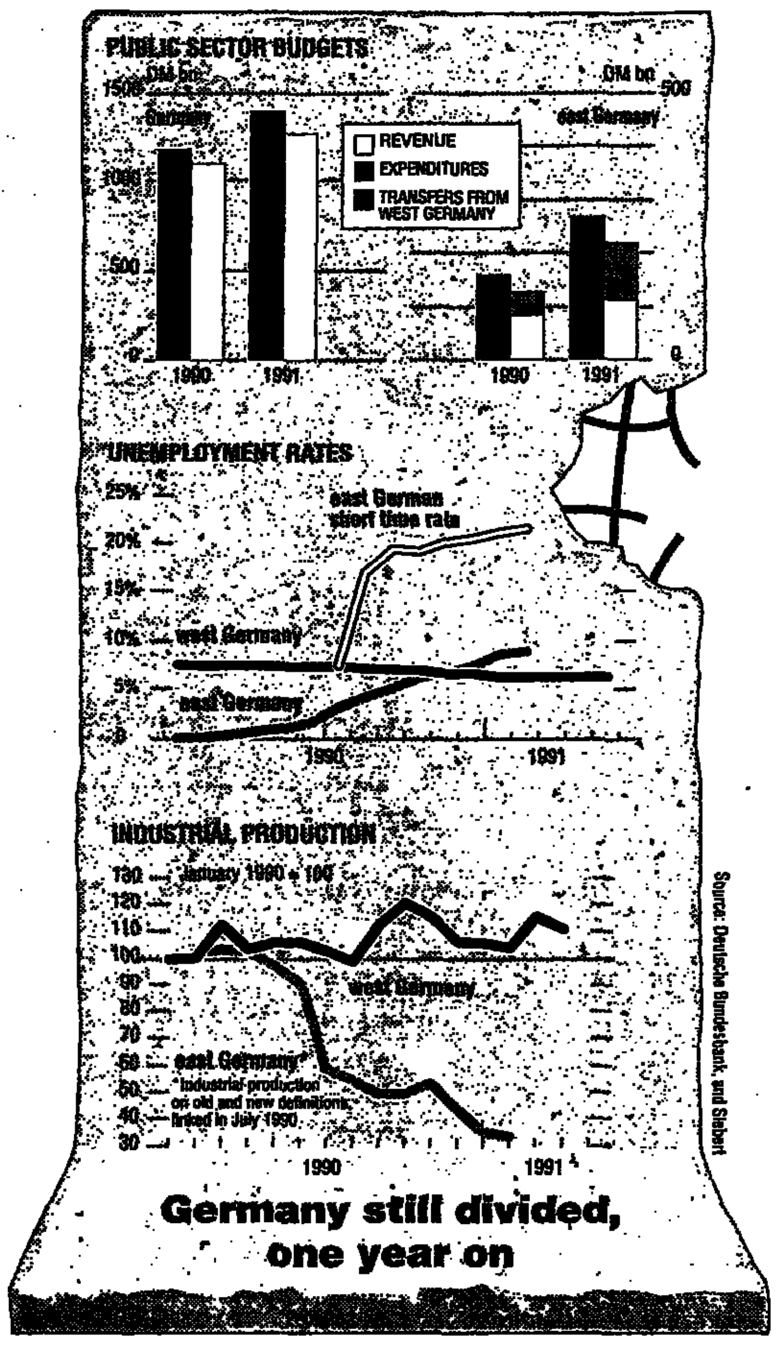
West Germany can afford this, but *only up to a point. The overall* German government budget deficit was DM90bn (£27bn) in 1990 (3 per cent of GNP). At the time of Gemu, Mr Theo Waigel, the finance minister, claimed that the total borrowing requirement in 1991 would be DM86bn. But, partly because of a near-total failure to cut public spending in west Germany, this proved to be one of a long series of over-optimistic forecasts. By May 1991, the budget deficit for 1991 was expected to be DM140bn-DM150bn (5 per cent of GNP).

These developments have been important not only for Germany, but for the world economy. Perhaps unavoidably, the long-term interest rate increased by 2 percentage points once unification came in view, giving Germany a real rate of interest, at current rates of inflation, of 5 per cent to 6 per cent. Partly because of the Bundesbank's desire to warn politicians of the fiscal peril, short-term interest rates have also been high. As in the US in the early 1980s, tight monetary policy combined with loose fiscal policy resulted in an appreciation of the real exchange rate in 1989 and 1990, rapid growth in domestic demand and a deterioration in the external position. A current-account surplus that peaked at 5 per cent of GNP in early 1989 turned into a deficit of about 1½ per cent of GNP in the first quarter of 1991.

In retrospect, the most important mistake was that even the pessimists were too optimistic. Overall east German output per head was probably a third of that in the west, but that in industry was still worse. According to detailed calculations by a team of economists from the University of California at Berkeley, a wage subsidy of 75 per cent would have been necessary to make the 88 least bad *Kombinate* (east German conglomerates), employing 77 per cent of the labour force, viable at their costs subsequent to Gemu (let alone after the subsequent wage increases).[2] If so, the wage needed to keep much of east German industry afloat is about 10 per cent of the west German one. A subsequent paper by two German economists argues that the Berkeley team may be too optimistic.[3]

Currency conversion at the chosen rate of one-to-one may not have *helped, but its significance should not* be exaggerated. The shift of consumer spending towards western goods following Gemu was an important reason for the collapse in east German production. But this – plus the disappearance of trade among former Comecon members – was just the poisonous icing on an inedible cake.

That wages rose after Gemu, despite soaring unemployment, suggests that a lower conversion rate might have been followed by a still more rapid increase in nominal wages. The importance of the chosen conversion rate is political, since it could be seen as a commitment to the implied level of east German wages, irrespective of what east Germans manage to earn in the market.



Germany still divided, one year on

*These are issues for historians.* The important question is what happens now. Most German analysts recognise that the parallel with west Germany in 1948 was mistaken, but remain optimistic about east Germany's medium- to longer-term prospects. It is hard to see why.

East Germany's wages are already nearly two-thirds of the UK's, and more than five times those in Poland. The industrial capital stock of east German industry is worthless at these wages. Its replacement at rates sufficient to warrant the prospective east German wages *requires* extraordinarily high rates of capital formation, of which there are still few signs. Furthermore, however "skilled" the labour force, almost all of the management and entrepreneurship needed to make a high-wage economy work will have to be imported.

Public administration is inadequate; many east German sites are contaminated; and infrastructure is poor, while its replacement and renewal will be held up by the German reluctance to accept large-scale private investment in infrastructure. Worse, the panoply of west German regulations has been imported into struggling east Germany. Worse still, the constitutional requirement for restitution of property rather than compensation renders ownership highly uncertain. In the city of Dresden alone, notes Prof Siebert, 40,000 applications for restitution have been filed, of which only 700 had been decided by May 1991.

It is, in short, easier to think of reasons why east Germany will *become Germany's mezzogiorno,* with the current level of transfers, or its Ireland, without them, rather than why it will succeed. The persistent optimism seems to be partly explained by an unwillingness to contemplate failure; but, more worryingly, also by an unwillingness to contemplate what may be needed if failure is to be avoided.

First and foremost, the east German economy should be freed from economic regulations quite inappropriate to a struggling economy in transformation.

Second, the structure and role of the privatisation agency, the Treuhandanstalt, should be re-examined. This colossus is responsible for 9,500 companies (up from the initial 8,000, due to sub-division), 40,000 plants and 4.7m employees. Its role is to "restructure and privatise the previous government-owned firms", an impossible task outside the service sector, since the Treuhandanstalt does not have the knowledge to restructure all these enterprises, while most are hopelessly unviable unrestructured. No wonder only 12 per cent of industrial companies had been privatised by March. *The Treuhandanstalt is in danger of* degenerating, instead, into a focus of political pressure for indefinite subsidisation. It should be divided up and the parts turned into actively-managed funds after either sale or free distribution of shares.

Third, as the Berkeley economists argue, the logical subsidy is one for wages. The alternative is not absence of subsidies, but a higgledy-piggledy collection of ad hoc subsidies to investment, to unemployment and, worst of all, to dying enterprises. If the government fears comprehensive wage subsidies, they could be granted at the margin, for retraining and jobs either in new enterprises or in privatised old ones. Possible effects of such subsidies on the wage level can be limited by relating the subsidy inversely to the wage gap *vis-à-vis* west Germany.

Yet the required changes cannot be limited to east Germany alone. It is unlikely, for example, that unemployed east German labour can be absorbed within east Germany even in the medium term. Since the industrial capital per head for Germany as a whole is now perhaps 20 per cent less than in the old west Germany, wage increases must be limited if the additional labour is to be absorbed. Equally, the growth dividend alone is unlikely to restore fiscal balance. Subsidies in west Germany – now running at about DM130bn a year – will have to be cut as well.

A year after Gemu a new Germany is coming into view: a fiscally expansionary Germany, a Germany whose monetary policy is under pressure and a Germany with a current account deficit. But, most importantly, it is a Germany with a deep and perhaps enduring internal division. If Berlin is not to be a capital all too conveniently located for the lobbying of an embittered eastern population, radical change will be needed not only in policy towards east Germany but in the German social market economy of the 1990s.

[1] *Horst Siebert, German Unification: the Economics of Transition, Kiel Working Paper No. 468a, May 1991. forthcoming in Economic Policy.* [2] *George A Akerlof, Andrew K Rose, Janet L Yellen and Helga Hessenius, East Germany in From the Cold: The Economic Aftermath of Currency Union, Brookings Papers on Economic Activity, 1, 1991.* [3] *Klaus-Werner Schatz and Klaus-Dieter Schmidt, "German Economic Integration: Real Economic Adjustment of the East German Economy in the Short and in the Long Run," paper presented at a conference on the Transformation of Socialist Economies at the Kiel Institute for the World Economy, 26-28 June 1991.*

# OBSERVER

## High hopes in Frankfurt

Germany may be moving its political capital from Bonn to *Berlin*, but *Frankfurt is* determined to remain the financial centre, and one of the country's top banks plans a new building to prove it.

To add an international touch, Commerzbank leavened the mostly German architects it asked to tender designs for its new headquarters with a sprinkling of outsiders. And the winner chosen from the dozen contenders turns out to be Britain's Norman Foster, responsible for the controversial HQ of the Hongkong and Shanghai Bank besides several eye-catching edifices in the UK.

The Hong Kong building soared high over budget, something Commerzbank does not intend to see repeated. With a strong accent on the environment, as well as efficiency and pleasant surroundings – there will be gardens at various levels of the 50-storey structure – Foster's airy three-sided design looks bound to stand out even in Frankfurt, the only German city with an American-type skyline. Moreover Martin Kohlhaussen, head of Commerzbank whose staff is now spread among 30 buildings, says it will continue expanding there.

Even so, the £240m building will not be the city's tallest. That distinction will stay with the Messeturm (trade fair tower), designed by Helmut Jahn, the equally controversial German-American architect.

## Clear profit

Observer's award for making a virtue of necessity goes to Philippines President Corazon Aquino. Needing funds to help the thousands made homeless by the eruption of Mount Pinatubo, she aims to export bottles of the volcano's ash priced at US$10 apiece.

The sales should afford a handsome margin for relief work. *The jobless youths* deployed to clear up the volcanic ash in the affected areas are paid for it at 3½ cents a sack.

## Income problem

The hallowed courts of Trinity College, Cambridge, have lately been haunted by an unusual number of City slickers. The college – reputed to be third only to the Queen and the Church of England as a landowner – has been interviewing for the post of senior bursar.

Besides carrying responsibility for managing large estates including Felixstowe docks, Britain's *largest* container port, the job has a peculiar aspect. The recruit will be expected to increase the college's assets while minimising its revenues.

Trinity's fellows are hard-pressed to know what to do with its income, which some dons put at £10m last year. After all, they've already revamped the Great Court, and made the wine cellar the best in Cambridge – a not unimpressive feat.

The college does not get much practice at selecting bursars, having had only three in the past 100 years. The latest, 67-year-old John Bradfield who is soon to retire, was appointed at a mere 29.

The custom has been to fill the job from among the dons. But the college has now broken with tradition by drawing up a short-list on which a single don is outnumbered five-to-one by City-types, including merchant-bank directors and a chief investment strategist.

The move has divided the senior common room, some members thereof being aghast at the idea of a City slicker in their midst. Nor are they uniformly impressed by most of the short-listed runners.

Said one crusty don: "If we need a middle-aged failure, why choose an *external* candidate?"

"Scrap the memoirs, and write a book about John Major."

## OK for some

Meanwhile, whatever blame economists deserve for recession and unemployment, there is no lack of jobs at the heights of the dismal science.

The latest on offer is for the head of the economics and statistics department of the Paris-based Organisation for Economic Co-operation and Development. Present chief David Henderson will retire next spring after a career encompassing academia and government in the UK and a spell at the World Bank, before his 1984 move to the OECD.

Although Henderson has been shy of publicity, he was a memorable Reith lecturer in 1985 and has been increasingly outspoken in the cause of free trade. He may well become still more so, given his plan to continue working after leaving the OECD when he'll be free of the rules of discretion that working for a multi-national body entails.

Another plum post is at the International Monetary Fund *where Jacob Frenkel, chief* economist and head of research, is leaving to take over the running of Israel's central bank in mid-August.

In Britain, too, a chief economic adviser is still needed to replace Sir Terence Burns, whose promotion to permanent secretary of the Treasury was announced in April. Here, however, there are signs of movement. Having advertised the job, the government now plans *interviews around the end* of this month.

## Water hazard

The British are at decreasing risk of the fate portended by *father* of modern science Sir Francis Bacon, according to a survey of our basic hygiene habits just commissioned by soap-makers Cussons.

While Bacon would have approved of the shower, he looked on baths as dangerous. He argued in his Novum Organum that, as the water is usually greater in volume than the body lying in it, the effect is to infuse us like so many tea bags, taking the goodness out of us.

So he'd have been pleased to hear that, although baths are still of the first water with the average Brit having 3.3 of same weekly, the incidence is down from 3.6 seven years ago. By contrast, showers have welled up from 2 to 3.2.

Which sex remains at the greater hazard is hard to fathom. Women are more inclined than men to total immersion, but bask in it only 20 minutes on average compared with 23 for males.

As for whom they'd most like to share their bath with – the men's favourite dream-boat was film star Kim Bassinger, and the women plumped for Richard Gere.

The recession has taken the shine off the Docklands 10th anniversary celebrations, says **Michael Cassell**

# Brakes go on a property boom

Champagne will be flowing tomorrow evening in the shadow of Tower Bridge to celebrate the 10th anniversary of the London Docklands Development Corporation, the body masterminding the largest urban regeneration project in the world.

Many of the 650 party-goers arriving by boat at Butlers Wharf to salute "a decade of achievement" in Docklands will be unaware that the development is in administrative receivership. It is not the only recent casualty in the effort to resurrect a riverside wasteland half the size of Cambridge.

Down river on the Isle of Dogs, the 12,000-seat London Arena, opened two years ago by Mr Frank Warren, the boxing promoter, is in the hands of the accountants Price Waterhouse. Tobacco Dock in Wapping, the "East End's answer to Covent Garden", is under new management – receivers Cork Gully.

Laid waste by irresistible economic change and now being revitalised by an uneasy coalition of public and private interests, the area has always had its ups and downs. The LDDC's 10th birthday finds Docklands at a low point. The same market forces which brought a property boom have now created a recession which has put the brakes on regeneration.

There are also those within and beyond the LDDC who cast doubts on the calibre of some key staff. They claim it has lost the flair and sense of single-minded purpose encouraged by Mr Reg Ward, the LDDC's first chief executive, who left in 1987.

On July 2 1981, Mr Michael Heseltine, environment secretary, established the LDDC and gave it a powerful mix of cash and controls to get on with the job.

Ten years on, with £1.1bn of public funds and another £8.4bn of private finance spent, the flagship of the government's inner-city programme is a bewildering blend of futuristic inspiration and familiar decay.

Cesar Pelli's monumental tower at Canary Wharf looms above corrugated iron roofscapes; a Steinway piano plays in the marble-floored foyer of Exchange Tower on the Isle of Dogs as shuddering queues of traffic back up along Commercial Road, Limehouse. Classy condominiums cram the quaysides while council flat windows along Jamaica Road, Bermondsey, remain boarded up.

The contrasts are meat and drink to the project's critics. MPs from every political party, Dockland communities, employers, developers and the Prince of Wales have all had a go. At the heart of their many complaints lies the accusation that, in the rush to court developers, the LDDC largely overlooked the needs of those already living and working in Docklands. They claim the civic dimension required to create a properly balanced community is missing.

Even Olympia & York, the Canadian developer of Canary Wharf and one of the key participants in the regeneration programme, is understood to have told the LDDC that the corporation has failed to address community issues.

The LDDC also stands accused of failing to develop an integrated transport infrastructure to make the area more easily accessible.

Regeneration out of the rubble of Docklands: new developments emerge in the once rundown Isle of Dogs

Colin Beere

But local councils say that, although it has taken more than half the government's total inner-city grant aid, the LDDC's history is one of broken promises. They claim that there has been a net loss of jobs in the area since 1981 and that unemployment in Docklands is higher than a decade ago. "Yuppie" developments are said to take precedence over social housing.

Mr Bryan Gould, the shadow environment secretary, is not entirely critical of the LDDC: "I remember what it was like 10 years ago and no one wants to nail their colours to that."

But he adds: "The gulf between office blocks and expensive housing and community dereliction and slums represents the biggest failure."

Mr Andrew Church, a London University lecturer who has closely watched the development of Docklands concludes: "In the last three years, the LDDC has found its vision falling apart."

Such criticism are not new to Mr Heseltine, who is again environment secretary and who will be the guest of honour tomorrow night. "Docklands have been transformed from a no-hope wilderness to an area full of hope, opportunity and optimism.

Sir Nigel Broackes, chairman of Trafalgar House and LDDC's first chairman, says the achievements of Docklands are beyond his wildest dreams: "The achievement of the original objectives is assured and it is about time for applause."

He says much of the criticism is based on a misunderstanding of LDDC's statutory role: "We were not a welfare organisation. If we had been given social responsibilities we would never have been able to achieve what has been done."

The LDDC is fed up with criticism. One corporation executive remarks: "It took the French 35 years to build La Défense, which is one-tenth the size of Docklands. It is hailed as a great success. Over here, we get all the knocks."

The LDDC accepts there are more people out of work than in 1981 but says the number of jobs has nearly doubled to 53,000. The population of the area has grown from 39,000 to 60,000 and should approach 100,000 in five years. The number of companies in Docklands has more than doubled to 2,300.

Over the decade, more than 15,000 homes have been built. Home ownership is up from 5 per cent to 44 per cent. About 5,000 public sector homes have been improved at a cost of more than £200m.

Mr Eric Sorensen, LDDC chief executive, takes a swipe at some of the "virulent opinion based on complete ignorance". The primary challenges now, he says, are to get transportation right and to make Docklands a complete community.

"People talk about striking a balance in Docklands but there was precious little balance 10 years ago in terms of jobs or housing or opportunity."

The LDDC rejects "social engineering" but says it now has a positive relationship with local people and there is fresh emphasis on helping everything from health to training, arts and sport.

In spite of past errors, the revival of Docklands has taken place on a scale and at a pace which few could have originally envisaged. The LDDC may have another five years before it is wound up, at which point the spotlight may again fall on the local authorities.

There is a widespread feeling that lessons have been learned and, once the recession has passed, the experiment can regain its momentum. Ahead lies the injection of £3.5bn of public and private funds, to be spent on projects such as the extension to the Jubilee Line, improvements to the much-criticised Docklands Light Railway and upgrading roads.

"It is no accident that we have now got the biggest single concentration of transport investment anywhere in the country", says Mr Sorensen.

Elsewhere, a decision is awaited on plans to expand the City airport, while the prospect of a new Thames crossing further to the east may provide the spark for the development of the dormant Royal docks.

Ten years ago, Sir Nigel Broackes viewed the dereliction from the back of his Rolls-Royce, painting a vision of the future to his highly sceptical passengers. Any who return now cannot deny the remarkable changes a decade has brought and most would accept that there can be no turning back.

# High hopes among the vacant lots

**Vanessa Houlder** charts an unprecedented downturn

After the most exaggerated boom and bust ever seen in the UK property market, modern space in the Isle of Dogs is cheaper than in virtually any European city centre.

The cost of renting a new air-conditioned office block in the heart of Docklands is just £10 a square foot, a quarter of what it might cost in the centre of the City.

An unprecedented imbalance between supply and demand, reflected in a vacancy rate of over 40 per cent, has driven rents to under half their peak value. Even excluding the Canary Wharf complex which has filled just over half its first phase of 4.2m sq ft, there is 2m sq ft of available space in the Isle of Dogs.

In 1987 and 1988, developers built ever-larger buildings fuelled by a mood of optimism, cheap money and plentiful land. By the time their buildings were completed, the recession was starting to bite, rents were falling in the rest of London and transport problems had become increasingly obvious.

Tenants in Docklands – often small businesses in service industries – have been especially vulnerable to the recession. The imposition of the uniform business rate next year, as the Docklands loses its enterprise zone status, may be an added blow.

Filling the empty offices will not be easy. "Given that rates are going to be introduced next year and the huge supply of space, I do not think there will be a recovery for four or five years," says a letting agent.

Investors, as well as tenants, are thin on the ground. Over £115m of property in the Isle of Dogs was left unsold at the end of the last tax year, according to EAL Property Research Consultants.

The fall in rents and the difficulty in finding investors have been disastrous for many developers, many of whom have gone bankrupt. Investors have also been losers when they have paid too much attention to the tax breaks and too little to the security of their income.

Nevertheless developers and investors with deep pockets think the Docklands will, in time, win through. Transport is slowly improving and the vast Canary Wharf development has given the area a high profile in all senses.

## Samuel Brittan

# A modest blow for freedom

One of the things that used to puzzle me when I was growing up in the household of a general practitioner in north-west London was the iron curtain that was erected between doctors and other professionals. There were a great many activities in which only qualified medical practitioners could engage; and this was a much wider range than seemed necessary. By confining so many activities exclusively to doctors, the load upon them was unnecessarily increased, while opportunities for others were too much curtailed.

Apparently they arranged at least some things better in Lithuania even under tsarist rule, where my grandfather practised. I was originally told that he was a "doctor"; but I eventually learned that he was a *feldscher*; that is a medical ancillary who could carry out treatment within certain limits. This seemed an eminently sensible way of economising on the time of scarce and expensive medical practitioners, while making best use of others with some knowledge.

I was reminded of this family background by a bill presented in the House of Commons by my local MP, Mr Dudley Fishburn, under the ten minute rule. This did not recommend anything as radical as the introduction of *feldschers*, but would merely have enabled some nurses to write prescriptions for a limited number of items such as bandages, wound treatments, bedpans, and a few pain-killers. The proposal applied in the first instance only to 29,000 community nurses who visit patients or old people at home, and who would be as well-informed about their needs as any general practitioner.

It would serve at least three purposes: pain and discomfort would be relieved more quickly; time would be saved as patients would not have to seek out doctors who usually just endorse the nursing recommendation; and, as a spillover benefit, the status of nurses would be improved without the expenditure of a penny of public money.

The nurses concerned have already trained for the project, and have studied the list of products they could prescribe. The medical profession, which is rarely slow in defending its privileges, has endorsed the idea, as have a select committee and a department of health report.

The bill was, however, "talked out". The minister replying, Mrs Virginia Bottomley, was in principle in favour, but she wanted further time to work out the details. The one serious delaying factor seems to be the preparation of a further cost benefit analysis, to be carried out by Touche Ross, the accountancy firm, by the end of August.

But such a study is not black magic. It can only attempt to quantify known advantages and drawbacks. What then are the latter? The government's main worry is to make sure that there is not an expensive increase in prescribing as a result of opening the field to a slightly wider group of professionals.

I should be astonished if this were the result. It is harassed doctors rather than nurses who are tempted to over-prescribe to keep trouble at bay. Nurses are accustomed to using drugs and appliances merely as a supplement to personal care.

The main thrust of economic liberalism is to remove unnecessary restrictions and barriers; and there is no reason for health to be exempt. To be in favour of greater powers for nurses – even going beyond Mr Fishburn's initial proposal – does not mean that anyone should be able to prescribe hard drugs for himself. Liberalism is concerned with putting the onus of proof on those who want to restrict; and it cannot be stated with greater rigour than the circumstances of human society allow.

There are many cases in which there are genuine costs of deregulation to be weighed up against the benefits. Here is a rare case where there seem only benefits.

# *LETTERS*

## Comparability of pay for all?

*From Mr Kenneth P Armitage.*

Sir, Mr John Banham, the director-general of the CBI, in your article "CBI defends large pay rises for managers" (June 27), is reported as having stated that the criticism, by both MPs and union leaders, of large pay increases for the chief executives of privatised monopolies is the politics of envy, "a sad emotion to watch and demeaning to the people exercising it", and that "he had no problem at all" with the 58 per cent pay rise for Mr John Baker, the chief executive of National Power.

To support his opinion Mr Banham referred to the international league of top salaries and in particular he produced salary figures for the power generating companies in Germany. May we assume that if the CBI believes the salaries of UK managers should be comparable with those in other countries, not least the more efficient German industrial machine, that salaries of all workers should also be comparable and raised to the level of the highest-paid companies? Can he not see that the politics of greed at the top will necessarily and understandably lead to increased demands from other levels of the workforce?

It has often been suggested that good leaders lead by example. If that is the case then one reason for British industry's poor performance is that it lacks good leaders since the current attitude being signalled from the top smacks more of "Don't do as I do – do as I say" rather than example.

Kenneth P Armitage,
*29 Stoneham Close,*
*Petersfield, Hampshire*

**Fax service**

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

## TUC aim for unions is a fairer framework of law

*From Mr Norman Willis.*

Sir, Contrary to the implication of your editorial ("Labour and the unions – again", June 28) the TUC is not seeking a privileged position under the law for unions on new statutory recognition procedures.

A fair crack of the whip is all that we seek. And simple justice dictates that workers who want and need the support of a union in dealing with an employer which may be treating them in a harsh, unfair and arbitrary fashion would – in the last resort – be able to find some redress in the law.

Simple justice, of course, has not been forthcoming from the present government. It has been persistently condemned by the International Labour Organisation for the unfairnesses of the labour laws it has introduced. It remains isolated in Europe in its opposition to the Social Charter. Despite all this it appears determined to bring forward another green paper containing proposals for yet further totally unjustified and uncalled for attacks on unions.

A new, fairer framework of law is badly needed and I welcome the Labour party's commitment to legislate accordingly.

Norman Willis,
*general secretary,*
*Trades Union Congress,*
*Congress House,*
*Great Russell Street,*
*London WC1B 3LS*

## Consultancy for ex-Cable and Wireless chairman challenged

*From Michael Bingham.*

Sir, Whatever the reasons given for the increases in salary and bonuses awarded by compensation committees of companies taken into the private sector, as a shareholder of Cable and Wireless, I find it difficult to understand why the court of my company is able to award a consultancy contract to the former chairman, Lord Sharp, for one year from October 1 1990 for the sum of £650,000, agreed during the last financial year. I note from the 1990-91 annual report that his remuneration in that year for the final period of his chairmanship fell from £626,947 in the previous year to £422,994.

Like many others, I shall be interested to learn what particular brand of unique expertise he is bringing to the affairs of my company, which is costing £2,500 per day on a five-day-per-week working basis. Doubtless, revenues and profit expectations will be used to make this sum appear either well spent (or insignificant).

It makes the fuss about the remuneration of the chairman of the other part of the duopoly pale into relative insignificance.

As a lifelong Conservative voter, I despair at the arrogant disregard for small shareholders' and the general public's perception of such awards, particularly when the effective date of this consultancy agreement implies that it was agreed well into the current recession, when counselling for general wage increases restraint was being preached across the land.

Michael B Bingham,
*9 Vyvyan Terrace,*
*Clifton,*
*Bristol BS8 3DF*

## Views from two sides of the MBA debate

*From Mr Howard Gospel.*

Sir, Your jobs column, "Cold climate continues for MBA graduates" (June 26), reveals something which I have long believed and for which I think there is substantial evidence. Britain's training deficiencies are not "supply side", as some, not least the present government, would have us believe, but a demand-side failure.

Quoting MBASE research, Michael Dixon reports that, though the number of MBA graduates is increasing, British firms are still reluctant to recruit them or value their qualifications, especially those who go to the trouble of doing their degrees part-time. Continental companies, though, are interested in recruiting them and American parent companies do not show the same reluctance in taking on MBAs as their British subsidiaries.

Of course, as German and Japanese experience shows, the MBA route is not the only, and may well not be the best, way to produce managers. However, in the absence of anything better in most British companies, the supply side, namely students and educational institutions, have shown their preparedness and ability to react.

*Howard Gospel,*
*Canterbury Business School,*
*University of Kent*

*From Bryan Howard-Jones.*

Sir, As a part-time MBA student, I am naturally concerned by the results of the latest MBASE report. The conclusion, however, merely reinforces the evidence for the tunnel vision of UK industry.

Undertaking a part-time MBA over 30 months, must itself demonstrate commitment and ambition – surely a prerequisite of top-level management. I expect my MBA qualification to reflect a broad base of business knowledge, built on the extensive experience that my colleagues have brought to the course from a variety of industries. UK industry should look to Europe, where there is greater investment in management education and greater recognition that MBA graduates are equipped with more than just high expectations.

Bryan Howard-Jones,
*29 Sandycombe Road,*
*Kew, Surrey*

## Criticism of TV cricket coverage is not cricket

*From Mr Peter Milne.*

Sir, I was somewhat taken aback, as I suspect were a number of readers, at the amount of criticism levelled at BBC TV's cricket coverage by Teresa McLean ("Why Curtly is better in the flesh", June 26). While I agree we are shown too many replays of dismissals, I would be in difficulties to find other faults, and I suspect I enjoy watching test matches on TV as much today as I did some 30 years ago when the habit began.

Now, as then, I am continually impressed at how well cricketing elder statesmen perform as commentators. In my opinion, Jim Laker was perhaps the most accomplished, raising understatement to an art form. I remember David Gower at the top of his form flicking two consecutive balls off his pads to the boundary. Laker paused and drily remarked, "the stroke repeated".

I rate BBC's Test match coverage as one of the best offerings on TV.

Peter Milne,
*13 Spenser Road,*
*Harpenden, Herts.*

FINANCIAL TIMES
Monday July 1 1991



Authorities in Lagos react angrily to report that up to $3bn windfall from higher oil prices was squandered

# Nigeria deports FT journalist over article

**By Michael Holman, Africa Editor, in London**

NIGERIA has deported the Financial Times' Lagos correspondent following government criticism of his report last week on extra-budgetary spending of the country's export earnings from oil.

Mr William Keeling, 27, who has been based in Lagos for the past 18 months, was arrested at his office on Saturday evening by security police. Although not physically maltreated, he was held in police custody without access to lawyers or the British High Commission, and later put on a midnight flight to London.

It was not clear who authorised the deportation. The state-run television and radio broadcast a statement on Saturday night issued by the Ministry of Information which described Mr Keeling's report as "totally false." It said the report was "a deliberate attempt to mislead the public, including Nigeria's development partners."

In his report, published last Thursday, Mr Keeling said that the Nigerian government had spent more than half the windfall the country earned as a result of higher than expected oil earnings resulting from the Gulf Crisis without the approval of the International Monetary Fund and the Word Bank. Nigeria would have been expected to seek the endorsement of the two leading supporters of its economic reform programme before embarking on large scale spending.

Mr Keeling quoted economists working at donor agencies as saying that at least $3bn is not accounted for in Central Bank figures for the period between July 1990, and May this year. The windfall from higher oil exports was estimated at about $5bn.

Part of the windfall, said the report, has been spent on Nigeria's role in the west African peace force in Liberia, the Organisation of African Unity's summit in Nigeria's federal capital of Abuja, and on the first stages of a $810m aluminium smelter.

The next day, Mr Keeling was called to the office of finance minister Mr Abubakar Alhaji. "He took great exception to the report and challenged its accuracy," said Mr Keeling. "I told the minister that my sources for the story were all highly credible people with a close knowledge of the Nigerian economy."

Mr Jurek Martin, Financial Times foreign editor, said the newspaper stood by what Mr Keeling had written and would now be protesting to the Nigerian authorities: "We are not going to allow them to dictate to us who we send to Nigeria and what they write".

In London, the foreign office said it would be taking up Mr Keeling's case with the Nigerian government.

Nigeria may prove World Bank's acid test, Page 5

# Dinkins tries to win budget deal for New York

**By Martin Dickson in New York**

MR DAVID Dinkins, mayor of New York city, was yesterday engaged in a hectic round of negotiations to secure agreement on a balanced budget by a deadline of midnight last night which would alleviate the City's financial crisis.

The city is required by law to pass a balanced budget before the fiscal 1992 year begins today. Failure to do so could eventually mean that New York state's financial control board could step in to oversee the city's finances, as it did during the last financial crisis of the mid-1970s.

Frenetic negotiations were under way at New York's City Hall throughout the weekend with demonstrators against the proposed package of cuts camped outside and active lobbying continuing inside.

One gleam of light came when Mr Mario Cuomo, New York state governor, and legislative leaders reached agreement on a framework for a state budget. This would restore some of the aid to the city which had previously been vetoed by Mr Cuomo.

Mr Dinkins has been embroiled for weeks in a dispute with the city council over the shape of his draconian 1992 budget. The mayor, faced with a severe shortfall of tax revenue due to the sharp downturn in the regional economy, has proposed severe cuts in services and large tax increases to balance the $29bn budget.

The city council, however, produced its own plan last week, which would sharply reduce the mayor's proposed increases in property taxes, restore some of his service reductions – such as the extinguishing of one in four street lights – and impose other cuts elsewhere.

The Mayor said the Council's plans would not produce the revenues it claimed and leave the budget out of balance. As the negotiations continued, the council threatened simply to pass its budget over Mr Dinkins' objections, which would represent a severe political setback.

When Mr Dinkins introduced his so-called "doomsday" budget, he hoped the severity of cuts would force pay concessions from labour unions and allow him to restore some of the services. However, discussions with the unions have been inconclusive.

As part of the cuts, some 10,000 city workers were laid off on Friday night, generating protests at City Hall.

Hoping for a budget deal: Dinkins remains optimistic

# Sole traders considered by London stock exchange

**By Richard Waters**

A NEW method for trading the shares of three-quarters of all listed companies is being planned by London's International Stock Exchange in what would be the biggest overhaul of trading arrangements since Big Bang five years ago.

For these companies the exchange is considering scrapping its competing market-maker system and replacing it with a series of monopolistic sole traders.

Each sole trader would be given exclusive rights to deal in the shares of one or more company. The arrangement would be used for around 1,700 listed companies, while the 500 most heavily traded shares would remain in the competing market-maker system.

The plan is due to be considered next week at the first meeting of the exchange's National Market Development Committee, a group of brokers and exchange staff set up to consider the stockmarket's future structure. The committee's brief is to make recommendations on how the market should be governed and financed, how share bargains should be settled, and how trading should take place.

The sole trader idea, modelled closely on the "specialist" system used by the New York Stock Exchange, is expected to prompt concern from City regulatory authorities and the Office of Fair Trading, none of whom are understood to have been told of the proposal.

"I would be very surprised if it got past the OFT," said one share trader involved in talks over the scheme.

The proposal has yet to be adopted as formal Stock Exchange policy, but has emerged as its prefered way of tackling the difficulty of illiquid shares – those that are seldom traded, and where large spreads exist between buying and selling prices.

Sole traders would have the exclusive right to make buy and sell prices in a company's shares, and would be able to match buy and sell orders.

The proposed monopoly, however, would also undermine the principle on which the Stock Exchange built its systems at the time of Big Bang: that investors get the best deal if market-makers are made to compete for business.

The market's authorities, while backing the sole trader idea, are likely to resist substantial change, particularly to the way shares are settled. Taurus, the electronic settlement system, is due to come into operation next May, and the exchange would not welcome any challenge to the system at this stage.

# Cost of unity grows for Germany

**By David Marsh in Bonn and Leslie Colitt in Berlin**

PRICES, taxes and unemployment in Germany are all due to rise sharply from today as a result of a package of economic measures underlining the growing financial and political pressures on the Bonn government.

The measures are threatening to present Chancellor Helmut Kohl with difficulties ranging from potential labour unrest in east Germany to higher interest rates in reaction to accelerating price increases.

The moves, which take effect on the first anniversary of the introduction of the D-Mark into east Germany on July 1 1990, illustrate how Bonn's economic policy has been diverted by post-unity turbulence. New unemployment regulations in east Germany, relaxing restrictions on lay-offs, are likely to increase unemployment by as much as 300,000 this month.

Chancellor Kohl last year promised in his election campaign that no east German would be worse off as a result of unification.

Mr Klaus Brehm, president of east Germany's Association of Unemployed, pointed to the danger of a growing "readiness for conflict" among disadvantaged east Germans because of the widening gap between themselves and fellow citizens. Unlike west Germans who were used to long-term unemployment, 40 years of socialism had left east Germans unprepared for such "unsocial" measures he said.

"Theoretically, they can buy anything and travel anywhere. They do not have to wait 10 years to get delivery of a car but what good does this do them when they are out of work?" he asked. Price rises and the low minimum unemployment payment of DM495 ($278) a month meant they were "worse off" than before.

Ms Christiane Bretz, head of the German trade union federation in Berlin-Brandenburg, estimated that unemployment in east Berlin would jump from nearly 80,000 to between 120,000 and 150,000 this month.

But Mr Norbert Blüm, the German labour minister, said that of the 415,000 jobs eliminated on June 30 in companies supervised by the Treuhand, not all those affected would become unemployed at once.

The rise in unemployment – which some fear could double to 1.8m by the end of the year – coincides with signs that the severe downturn in east Germany is still several months from bottoming out. A range of higher taxes also come into effect today across Germany, including a 12-month 7.5 per cent income and corporation tax surcharge.

Higher fuel taxes will force petrol prices to rise by up to 25 pfg a litre. The tax package, decided to limit the burgeoning budget deficit, will give a fillip to inflation, adding up to 0.7 points to the July cost of living index. With annual inflation standing at 3.5 per cent after unusually fast price rises in recent months, the likely increase in inflation to the 4 per cent level adds to expectations that the Bundesbank may tighten credit again before too long.

Mr Helmut Schlesinger, the Bundesbank's vice-president, who is taking over at the helm of the central bank at the end of this month warned again yesterday of the rate of pay rises in east Germany – up by 60 per cent over the past year – which he said had not been earned by productivity gains. Before deciding another increase in interest rates, the central bank is likely to wait to judge the effects of today's tax increases in damping rapid growth in the west German economy.

The Bundesbank's hand could however be forced by further weakening of the D-Mark, which came under strong selling pressure at the end of last week as a result of the Yugoslav crisis and rumours of a fresh withholding tax on German savings instruments.

Mr Heiner Flassbeck, chief economist at the German Economic Research Institute (DIW) in Berlin, warned of "fundamental D-Mark weakness".

He also issued an indictment of the government's hopes of bringing east and west German living standards in to line over the next few years, saying it would take 30 to 40 years for the east to catch up with the west.

Treuhand sell-off, Page 6
Unified, yet apart, Page 14

# Slovenes driven by dream of joining a new Europe

Continued from Page 1

all state authorities of the republic to continue implementing the adopted decision."

This amounted to a snub to the European Community troika of foreign ministers who asked the Slovene government on Friday night "to postpone the execution of the declaration of independence for three months".

"We want to be part of Europe, and we will," said Mr Jelko Kacin, Slovenia's minister of information.

"The EC troika made a grave mistake. They played into the hands of the federalists, and confirmed the position of Serbia and the army. That is their mistake. There is no going back for Slovenia," he said in an interview.

He added: "Sooner or later, Europe will recognise us."

Europe is the republic's powerful magnet. Slovenia, unlike some of the attempts at independence by either the Baltic states, or Croatia, has pursued a measured road to independence which first started last December when its citizens voted to break away from Yugoslavia.

Since then, the parliament, dominated by a loose coalition of social democratic, Christian liberal and green parties, have worked hard on drafting a new constitution, and drawing up political and economic laws aimed at reaching a divorce with the federal government.

"We really have no place in a Yugoslavia which is dominated by the republic of Serbia, or in a country which has slowed down any economic reforms," said Mr Joze Mencinger, an economist at Ljubljana University.

"Of course it will be difficult to be truly independent. It will take time," said Mr Andrija Ovcirk, the deputy prime minister.

"We have to draw up a new fiscal policy, create a central bank, build up reserves and eventually establish our own currency. But there is no going back," he explained.

The republic, along with neighbouring Croatia, had attempted in a document drawn up last December into persuading the federal government into creating a loose confederation of sovereign states aimed at weakening the power of Serbia, and speeding up reforms.

"We were blocked by the army, by Serbia and by the federal government," said Mr Kacin.

For months, Slovenia had kept Mr Markovic informed, and even asked for the establishment of formal negotiations with the federal government to discuss its moves towards independence.

"There was no response from Markovic," said Mr Ovcirk.

Mr Markovic visited Slovenia last week in an attempt to cajole the republic into postponing independence. When that failed, the army moved in.

The army occupation also represented a clear warning to Croatia that similar legal steps adopted in the future by that republic would not be tolerated.

# Emus and lemmings in the Eurozoo

**By Anthony Harris**

What should we keep in the Eurozoo? Emus or lemmings? The emu, as its opponents like to explain, is a flightless bird; and only able to flourish in carefully contrived conditions. Until these are in place - probably in the next millenium, we are stuck with the lemmings.

Lemmings, or rather infant lemmings, were introduced to the zoo last week by a veteran keeper, Mr Denis Healey. They are the young men who trade in currencies. As he pointed out, they operate on a scale which dwarfs such mundane numbers as national reserves or current account imbalances. They have their own old-fashioned yuppie charm, but they are a disorderly lot, rushing irrationally from side to side of their cage, squeaking shrilly, and quite beyond the control of the authorities. They make the zoo an intolerably noisy place.

Mr Healey was not only introducing an amusing new metaphor to this abstract world, but making a serious point. Do the essentially political negotiations about Europe's future medium of exchange make any sense in the disorderly markets of the real world? Recent history argues for Mr Healey. Britain's own experience has been discouraging, to say the least: Mr Nigel Lawson's experiment with shadow membership of the ERM led to runaway inflation, Mr Major's commitment to the real thing to a deepening slump. We are not the only victims. Spain is hampered in its attempts to fight inflation. Ireland, the saddest case of all, is stuck with real commercial interest rates ranging up to 15 per cent at a time when inflation, at 3 per cent, is below the EC average, while unemployment is some 20 per cent.

This sad result was not expected, except by the six die-hard monetarists who wrote a celebrated letter to The Times a few months ago; but even though they were right about the outlook, it is not clear that their reasons were right, too. Their argument was essentially that economies in recession would have to protect their exchange rates with high interest rates.

This is conventional sense; but in the real world the exchange rates of the key currencies – the dollar, the D-Mark, the yen and indeed sterling – seem to move broadly in line not with interest rates, but with equity markets. In other words, the lemmings are attracted not by relative return so much as by a general feeling of confidence in an economy. This seems to be what has made exchange rates so unpredictable in a world of free capital movements.

The ERM, with its near-promise of exchange rate stability, does make cash-holders, such as corporate treasurers, more responsive to the returns on cash balances; this should reduce the interest rate differential needed to finance a current account deficit. This is

> It sounds like commonsense to insist on economic convergence before we move to a single currency; but if it is the existence of separate currencies which is preventing convergence, it becomes a Catch 22 proposition

still a problem for countries with obstinate deficits, such as Spain and Ireland; and it may take years, in these circumstances, to create a climate for growth based on equity capital-raising; such economies are likely to be dependent on direct inward investment. These countries should be impatient for Emu in which there would be no current accounts, and no exchange rate to support, whatever the political price might be.

The most obstinate problems with economic management arise in countries which have to finance not a current imbalance, but a flight of long-term capital. This problem has long haunted Latin America, and could even lead to trouble in the world's best-managed economy, and the centre of a currency bloc, as Japan may be destined to show.

A scandal which has undermined confidence in the Tokyo stock market now looks likely to weaken the yen. This may well lead to higher interest rates in a country whose economy is already slowing sharply. If this further encourages Japanese investors to look offshore, a little local problem with ethics could become a running sore. It couldn't happen here? Probably not; but the tremors in Frankfurt on the mere rumours of a withholding tax suggest interesting possibilities of capital leakage, if not outright flight.

What all this suggests is that free capital movements are always liable to cause problems in a world of sovereign currencies, which are only different in degree inside or outside an exchange rate stabilisation scheme. This, is turn, casts some doubt over the British government's present stance. It sounds like commonsense to insist on economic convergence before we move to a single currency; but if it is the existence of separate currencies which is preventing convergence, it becomes a Catch 22 proposition.

The sovereignty problems of Emu are easily exaggerated and largely created by the legalistic approach of Brussels, allied to German distrust of free markets. The governments which joined in the gold standard hardly felt that their sovereignty was invaded; and in the US the fiscal constraints on "sovereign" states are entirely self-imposed, reinforced by the credit-rating agencies which can put a stop to borrowing by spendthrift states and cities.

Two things are lacking to make Emu workable: a sensible set of fiscal definitions, allowing countries to borrow for genuine investment just as companies can; and a truly European capital market in which the money could be raised, and the credit-rating agencies to make its decisions rational. Progress on the integrated market now seems to be postponed sine die, due largely, one suspects, to German and possibly French institutional protectionism.

This is the topic on which Britain could and should take an informed, constructive lead, and the City should be pushing the government this way. We cannot make the capital markets extinct, however troublesome they may sometimes be; but we do know a thing or two about making them domesticated. Until this is tackled, the lemmings will continue to dominate the zoo - along with the ostriches.



WORLDWIDE WEATHER

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

## INSIDE

### Wang to cut 23% of workforce

WANG

Wang Laboratories, the troubled US information technology group which agreed last month to sell computers made by rival International Business Machines, is cutting its workforce by around 23 per cent – up to 4,000 people – over the next few months. The move stems partly from the IBM deal, which is expected to reduce Wang's manufacturing of mid-range computers, and partly from a general cost-cutting. Martin Dickson reports. **Page 19**

### Profitable period for Eurobonds

Despite the lull during the Gulf war, the first six months of this year have been the most profitable period in the Eurobond market since the mid-1980s, according to bankers. The volume of new issues grew 50 per cent, from just under \$80bn in the first six months of 1990 to \$121bn so far this year. Tracy Corrigan reports. **Page 21**

### Sluggish start to the year

While those involved in the securities sector have been enjoying something of a beanfeast this year, business has been sluggish for the syndicated loan bankers. There were 431 syndicated loans and note issuance facilities (NIFs) worldwide in the first six months of 1991 worth more than \$99.7bn, according to the International Financing Review (IFR). By comparison, in the second half of 1990 there were 598 loans and NIFs, worth \$160.5bn, while in the first half of 1990 there were 761 issues worth \$184bn. Sara Webb reports. **Page 21**

### Cleaning up on Hanson

It is not every day that nearly \$2bn worth of Hanson shares goes through the London stockmarket in one go. It is even more unusual for that kind of business to create hardly a ripple in the City. But it happened last week. Trading screens showed vast numbers of Hanson shares moving through the Stock Exchange's electronic ticker at lunchtime last Thursday. These were not ordinary shares, but American Depository Receipts, the vehicle through which UK company shares are usually held in the US. Daniel Green reports on "dividend washing". **Page 18**

### Market Statistics



### Companies in this issue



# Intel faces anti-trust investigation

**By Louise Kehoe in San Francisco**

INTEL, the leading manufacturer of computer microprocessor chips, is the subject of an anti-trust investigation by the US Federal Trade Commission.

Mr Thomas Dunlap, Intel vice president and general counsel, said the FTC notified the company last week it was conducting an investigation to determine whether Intel had used anti-competitive business practices to protect its microprocessor market.

Intel holds a virtual monopoly in the market for the microprocessor chips used in IBM-compatible personal computers.

The company has refused to license other chip makers, with the exception of International Business Machines, to manufacture the current generations of microprocessors, giving rise to protracted legal disputes with Advanced Micro Devices, a former Intel partner in the microprocessor market.

The FTC has requested documents from a case under arbitration between Intel and Advanced Micro Devices, Mr Dunlap said.

Details of other disputes between Intel and AMD as well as a private anti-trust case filed against Intel by Cyrix, a small Texas chip maker, are contained in court records. but the arbitration documents are private.

With demand for the latest Intel microprocessors exceeding supply, Intel customers are concerned the chip maker could limit shipments of these popular chips unless customers agree to buy other chips from Intel.

Intel officials pointed out, however, that the scope of the FTC investigation was not clear and it appeared to be a preliminary probe.

"Given Intel's position as a key supplier of components to the computer industry, we've had an aggressive programme in place to make sure our business practices deal fairly and equitably with our customers and are in compliance with anti-trust laws.

"We are confident this investigation will result in clean bill of health from the staff for the FTC." Mr Dunlap said that Intel would cooperate fully and immediately with the investigation.

The FTC is also investigating the business practices of Microsoft, the largest supplier of personal computer software.

# Syndicate pays £10m for National Express

**By Jane Fuller in London**

NATIONAL Express Holdings, which dominates inter-city coach journeys in the UK but has fallen into the red since privatisation, has been taken over by a new company.

A venture capital syndicate and a bus company called Drawlane Transport Group, which runs local services, have paid £10.25m (\$16.7m) for National Express, which was bought out by its management for a similar amount in 1988. It was one of the last of the 72 National Bus Company subsidiaries to be privatised.

Since 1988, when it made a pre-tax profit of £6.04m on turnover of £75.44m, National Express's performance has declined, partly because of problematic acquisitions, and debt has built up. Turnover has grown to £120m a year.

Mr Ray McEnhill, chairman and chief executive of the new National Express Group, said it lost about £1m last year. This was after a £2.5m deficit in two acquisitions to be sold off. These were Crosville Wales, a local bus service operator, and Amberline, a coach contractor.

Mr McEnhill, founder of Drawlane, said the aim would be to refocus National Express on express coach services throughout the UK, where it offers 1,500 destinations, and to 15 other countries via Eurolines.

The latest debt figure for National Express was a seasonally high £7m, compared with net assets of about £4.3m.

Mr Clive Myers, leader of the 1988 buy-out and the main individual shareholder in the privatised company, stays on the board.

The venture capital syndicate is led by ECI Ventures and includes Henderson Ventures, First National Bank of Boston, County NatWest and Eagle Star Investment Management.

# A company chasing its own tail

**Charles Leadbeater** on the many problems besetting British Steel

British Steel is in danger of engaging in a ferocious chase of its own tail. Over the past year it has been cutting costs in a race to keep pace with a British steel market which at times has been in free fall.

The tail-chasing is aggressive and energetic. British Steel is pre-eminent among Western integrated steel makers in cutting costs. What is unclear is whether tail chasing is a long-term solution to its problems.

The scale of those problems will be disclosed today in the company's results for 1990-91. In the words of one British Steel director they will be little short of "disastrous". In the past few months the company, privatised in 1988, has been trading perilously close to losses.

Ms Janet Siddaway, engineering analyst at Kleinwort Benson, the stockbroker, expects pre-tax profits of just £250m (\$410m), compared with £733m last year, after exceptional items of about £190m to cover extensive rationalisation plans mainly announced in the second half of the year.

Trading profits will be down to £308m against £708m last time, according to Ms Siddaway. However, she predicts the results will show that in the second half the fall in trading profits was precipitate to just £82m, compared with £320m last year.

All this from a company which in January told analysts it expected pre-tax profits of £500m.

To cap it all, on Friday Mr Martin Llowarch, the group's chief executive, served his last day at its headquarters on the south bank of the Thames in central London. His surprise resignation in May threw into disarray the company's plans for an orderly succession to its veteran chairman Sir Robert Scholey.

Analysts do not expect Mr Llowarch's departure to have any long-term bearing. It has a cadre of managers in their 30s running production plants, and some in their 40s running divisional activities. His place has been taken by Mr Brian Moffat, the long-serving finance director who agreed with Mr Llowarch on most policy issues.

Today's results will largely reflect the severity of the UK recession and the weakness of the metal-bashing industries British Steel supplies. But they will also raise two fundamental questions about the company

- How much has it really achieved in its three years in the private sector if it is still so vulnerable to the UK economy?
- What must it do in the next few years to establish a base which can deliver steadier growth with protection against the vagaries of economic cycle?

Another consultant who works with British Steel says: "They have strong positions in small markets and small positions in strong markets. The jury is out on whether they are capable of making the kind of play that is required."

British Steel has moved further and faster than any other European steel producer to respond to the downturn by attacking its cost base.

Sir Robert Scholey: sticking to steel

In the past six months it has either announced or completed the closure of: the hot strip rolling mill at Ravenscraig in Scotland; one of the plant's blast furnaces; nearby Clydesdale tube mill; 800 job losses at its Scunthorpe plant.

The next step may be either to close or reduce the size of its London headquarters.

The long-term solution to rationalise down to two sites – closing Ravenscraig and Scunthorpe, leaving the Port Talbot/Llanwern complex in south Wales and the Teeside plant in the north east – has risen up the agenda, but it is still some way off, according to analysts.

The other aspect of British Steel's effort to defend its UK margins has been an attempt to control its market more effectively by buying Walker Brothers, formerly the UK's largest independent steel stockholder.

It is unclear how successful this has been. Walker Brothers, which cost the company £350m, is likely to make a loss of £15m for the year, although the results will be tucked away in British Steel's general distribution activities.

The UK is still one of the highest priced markets in Europe, with cold rolled sheet steel selling for \$460 a tonne compared with \$436 in Belgium and \$433 in France.

In spite of its control of much of the distribution system, British Steel has been losing market share to foreign competition and there is no sign of it being able to make price rises stick or of margins recovering.

Moreover, the UK market is likely to become increasingly competitive. Usinor Sacilor, the French steel maker, recently completed the takeover of ASD, the second largest steel stockholder. The price premium in the British market will almost certainly disappear in the next few years as the UK market becomes more integrated into the continental European market.

It will become harder for British Steel to defend its privileged position in the UK steel market. There are only two other routes to growth: internationalise into stronger steel markets or diversify away from steel into less cyclical activities.

A management consultant who has worked with the company on its strategy says: "They are really still playing a strategy, they have not done anything significant yet. But it needs to expand away from the UK because it could become a target for predators."

Last year's £310m deal to buy the Troisdorf division of German steel maker Kloeckner Werke, has been followed by long-running talks to buy Aristrain, a Spanish construction steel producer and tentative talks over a small joint venture with Szenskt Stal, the Swedish state-owned steel maker.

Dispirited by the response from large European steel producers British Steel has turned to the US, for talks with Bethlehem Steel on a joint-venture in the increasingly competitive US market for structural steel in the construction industry.

These talks may have been a factor behind Mr Llowarch's departure. Sir Robert was enthusiastic about the deal; Mr Llowarch insisted it should only go ahead if the Bethlehem Steel unions agreed to changes in working practices.

Last month, the day after Mr Llowarch announced his departure, the two companies said they had abandoned plans to consolidate Bethlehem's two structural steel plants into one, a move many analysts interpreted as a concession to the unions.

There is little prospect of the kind of expansion which Japanese steel makers have pursued with mixed success and which provides Thyssen and Mannesmann, the German steel and engineering groups with greater stability. Sir Robert will insist the company should stick at what it knows best – making steel.

That does not rule out a merger, cross shareholding or joint venture with non-steel groups in the metals business which might provide British Steel with greater financial balance.

## Economics Notebook

# More growth potential than meets the eye

MORE than 100 years have passed since Britain could claim to be the "workshop of the world".

Yet, although manufacturing accounts for only 24 per cent of UK gross domestic product, it still dominates many of our perceptions of what is happening in the economy.

Investment is a case in point, as highlighted by last week's first quarter figures for gross domestic fixed capital formation from the Central Statistical Office.

The CSO went to the trouble of issuing the news twice – once tucked away in a table towards the end of a lengthy news release about the GDP and later in a "Business Bulletin". But it failed to make much impact. This was because the statistics had been "scooped" the month before by an earlier government announcement of its preliminary estimate of capital expenditure by manufacturing industry.

The CSO figures released in May painted a very bleak picture. Manufacturing investment reportedly fell by 11 per cent in real terms between the final quarter of last year and the first three months of 1991 and dropped by nearly a fifth compared with the first quarter of 1990.

However, last week's figures made clear that spending by manufacturers on such things as buildings, vehicles and plant and machinery was only 18 per cent of overall capital spending by industry and commerce.

Using 1985 prices to establish the inflation-adjusted trend, the CSO put investment by manufacturers at £2.69bn in the quarter compared with total capital spending of £14.86bn when the figures for service activities such as banking and retailing and the construction, energy and water industries are added.

The all-industry investment figures still told a tale of declining outlays, consistent with a nation in recession. But the figures were less alarming than for manufacturing alone. They showed a drop of just 2 per cent in capital spending between the fourth quarter of 1990 and the first quarter of 1991 and a decline of around 9.2 per cent compared with the first three months of last year.

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The manufacturing investment figures can therefore give a false impression of UK economic developments. Other problems arising from the concentration of attention on manufacturing investment are highlighted in a paper by Mr Alistair Milne, a research fellow at the London Business School, in the latest issue of the LBS Economic Outlook, published today.

Looking at the period of the "Lawson boom" between 1986 and 1989, Mr Milne says that non-manufacturing investment played at least as large a role as consumption in increasing demand and creating rapid growth.

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Rapid growth of non-manufacturing investment reflected structural change in the economy in the 1980s. Mr Milne argues that financial liberalisation, technological innovation and changing patterns of business expenditure fueled a rapid expansion of output from companies in sectors such as financial and business services.

This then produced a substantial surge in non-manufacturing investment, including the large amount of office and retail property constructed in the period now overhanging the market.

Mr Milne draws two main conclusions from his work. One potentially controversial suggestion is that the easing of monetary policy after the 1987 stock market crash contributed less than thought to the late 1980s boom.

While this might give some comfort to the government, his other main conclusion has serious implications for Mr Norman Lamont, the present chancellor of the exchequer, and his hopes for economic recovery. The sharp increase in non-manufacturing investment in the late 1980s is likely to be followed by a fall of 13 per cent this year and a further 7 per cent next year, worsening the current fall in output and slowing recovery in 1992.

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In preparing his paper, Mr Milne had to cope with the inadequacies of British official statistics. He was unable to get accurate statistics for the period from 1989 onwards.

Such deficiencies should be rectified eventually as the government's measures to improve the official statistics take effect. But by then the world will have undergone further change and it is doubtful whether capital spending figure – be they for manufacturing or non-manufacturing investment – will tell us everything we want to know of how companies are investing in preparing for the future.

It is for this reason that economists have begun to look more closely at what are known as intangible investments – a category of spending that appears in no CSO industrial investment report.

The Paris-based Organisation for Economic Cooperation and Development has defined intangible investments as covering all long-term outlays by firms aimed at increasing future performance other than by the purchase of fixed assets.

These can include investments in technology, such as research and development, which help companies introduce new products and processes. Spending on skills and training, design, market research and exploration, and the acquisition and exploitation of software also count as intangible investments.

Intangible investments are increasing rapidly with the growing importance of high-technology industries that depend on innovation, skills and information rather than being simply capital intensive. Managements realise that technology, skills and organisation determine competitiveness.

The OECD has reported that in 1987 investments by Swedish manufacturers in such intangibles were greater than their gross fixed capital formation. In Sweden, the engineering industries, which typically are heavy spenders on capital equipment, spent almost twice as much on intangible investments that year as on physical investment.

One problem facing economic policy makers is that there is no agreement among countries on a full list of intangible investments or a system of categorising them. Some elements, such as research and development, are relatively easy to quantify. For others such as in-house training in new skills, data is patchy.

It is also difficult to assess how such investments will eventually influence economic growth. In theory, they should help companies achieve better output and productivity from technical change.

The bad news for economists is that conventional investment figures give only a partial account of what industry and commerce are doing to secure their future. The good news may be that there is more growth potential in the modern industrial economies, including Britain, than meets the eye.

**Peter Norman**

# US new issues rise by \$100bn in first half

**By Nikki Tait in New York**

ATTEMPTS by corporate America to pay down or refinance its debts produced a rise of almost \$100bn in new issues during the first half of 1991. The increase also meant bumper fees for Wall Street's investment banks.

According to IDD Information Services, underwritten new issues, involving either share issues or new debt securities, totalled \$249.7bn in the six-months compared with \$163.8bn in the same period of 1990, a 52.4 per cent increase.

Securities Data, which also tracks corporate new issues, put the current year's figure even higher, at \$261.9bn.

The sharpest jump came in new equity issues. Secondary common stock offerings – with flotations excluded – more than tripled, to total \$17.7bn, against \$5.93bn in the first half of 1990.

Many companies were encouraged to tap investors for new equity capital after an end to the Gulf war and the prospect of economic recovery boosted share prices. Groups, such as RJR Nabisco or Time Warner, which acquired heavy debts as a result of leveraged bid activity in the 1980s, have been prominent new issuers.

Increases in debt securities were relatively more modest: convertible debt offerings, 70 per cent to \$4.73bn; non-convertibles offerings 47 per cent to \$213.4bn; preferred stock offerings doubled to \$5.85bn. This partly reflects efforts by companies to refinance debts, lowering the overall cost.

Securities Data and IDD estimate the bankers earned around \$2bn from new-issue activity during the period – with Merrill Lynch taking the number one spot.

## COMPANIES AND FINANCE

# Avoiding the limelight after cleaning up on Hanson

### Daniel Green on the legality of dividend washing

IT IS NOT every day that $1.7bn (£1bn) worth of Hanson shares goes through the London stock market in one go. Not least because no single investor owns that many. It is even more unusual for that kind of business to create hardly a ripple in the City, except among a few specialist traders and an incredulous audience of international tax lawyers.

But it happened last week. Trading screens showed vast numbers of Hanson shares moving through the Stock Exchange's electronic ticker at lunchtime on Thursday. These were not ordinary shares, but American Depository Receipts (ADRs), the vehicle through which UK company shares are usually held in the US.

There are five Hanson shares bundled into each ADR and within a few minutes more than 50m ADRs had been traded, accounting for about 5 per cent of the whole company. Most ADRs are traded in New York, although there is a market for them in London.

The jargon for the type of deal conducted is "dividend washing." The principle is that shareholders liable to be taxed on a dividend sell the shares temporarily to an entity liable for less tax. They sell before receiving payment (cum-dividend) and buy them back afterwards (ex-dividend). The two parties split any gains between them.

The problem is that tax authorities, including the UK's, do not like dividend washing, and there is plenty of legislation (summarised in the Taxes Act 1988) designed to minimise it. The legal position of Thursday's trades might be additionally complicated by the widely-held view that the beneficial owner of the Hanson shares traded last week is US-based, while the nominal ownership changed during the operation.

Lawyers acknowledge that its legality is untested in the courts. At least three of the biggest securities houses in London, and one in New York, have refused to be involved with such deals after taking legal advice.

More than one London house is, however, prepared to take the risk, and market speculation centres around one in particular – although this house refuses to comment.

The Wall Street holders of the Hanson ADRs, who temporarily bundled together 100m held in the long term by pension funds and the like, also shun the limelight.

Mr Derek Jenkins, a tax specialist with Coopers & Lybrand Deloitte, said that the law might be broken if a trader made gains as a result of "a pre-ordained scheme of tax avoidance."

"If they are getting some benefit of the tax then they are arguably within the scope of the legislation," said Mr Jenkins. "If they were charging the normal rate they might not be." The definition of a normal rate is also debatable, since buying and selling 5 per cent of Hanson is not a normal occurrence.

A dealer close to last week's trades echoed this concern, emphasising, however, that the deal was "a simple put through, rather like a big bed and breakfast." He said that the broker doing the deal would receive a booking fee, as with any ordinary trade, and not a slice of the tax saved.

The Inland Revenue said on Friday: "If it seems like an artificial device we would want to look at it."

# Anglia Secure loss hits £4.2m

ANGLIA SECURE Homes, the retirement homes developer, failed to move out of its loss-making pattern of late and reported an increased deficit before tax of £4.22m in the six months to March 31, writes Michiyo Nakamoto.

That compared with a loss of £2.86m 12 months earlier and with losses of £8.89m and £4.45m respectively for the previous two full years.

The interim dividend is again being passed. Loss per share was unchanged from the previous half-term at 12.8p.

Anglia continued to suffer from the high interest rate environment and recessionary pressures prevailing in the UK.

The number of units the company sold in the period fell to 139 from 208 previously, while the average price of units sold declined to £68,500 (£71,000).

Turnover slumped to £10.96m (£17.24m).

In the short term Anglia is concentrating efforts on generating cash from sales even at the expense of profit and in reducing stocks and debts.

# Fears voiced about ADR market

By Simon London

UK COMPANIES with American Depositary Receipt programmes fear that they will lose control of their share registers if US banks are allowed to set up duplicate facilities without their permission.

A number of UK companies have expressed concern to the US Securities and Exchange Commission, which is undertaking a wide-ranging review of how the ADR market is regulated.

Duplication of existing programmes has been banned since 1983. However, Security Pacific applied to the SEC last Autumn to start an unsponsored ADR facility for Sons of Gwalia, a small Australian mining company which already had a sponsored programme in place.

Burmah Castrol, the lubricants and chemicals company which has had a sponsored ADR programme since 1987, has appealed to the SEC through the bank which runs the programme, Bank of New York. Other companies understood to have expressed concern include Rolls Royce and Bass.

"We want to keep control over our share register and to communicate with shareholders as we see fit," said Mr James Alexander, head of corporate affairs at Burmah Castrol.

However, duplication of ADR programmes is seen by some depositaries, including Security Pacific, as necessary to increase competition.

Three depositaries dominate the ADR market; Bank of New York, Morgan Guaranty and Citibank. Together, they account for about 90 per cent of new business.

However, other banks commented that programmes set up without the issuing company's consent are themselves anti-competitive.

"A bank can't be fired from an unsponsored programme because the issuing company never gave its consent in the first place," said Mr Joe Velli, head of ADRs for Bank of New York.

Mr Velli also argued that duplication of existing programmes would cause confusion among investors and could cause overseas companies to leave the US market.

The depositaries themselves are lightly regulated. Any organisation can become a depositary and there are no regulations governing the level of service offered, such as speed of delivery of securities or communication with ADR holders.

# Reed Executive in the red

By Roland Rudd

REED EXECUTIVE, the employment agency which has cut its staff from 1,173 to 986, turned in a loss of £798,000 for the year to March 31 and is halving its dividend. The loss compared with previous profits of £1.5m.

Mr Alec Reed, chairman and chief executive, said the recession had particularly affected its wider branch network in the City of London and south-east England. Group turnover declined by 14 per cent, from £139m to £119m.

There is no final dividend, leaving the payemnt at 0.6p (1.2p).

Mr Reed said most employers had frozen recruitment. That meant the labour market had been flooded at a time of virtually no vacancies.

The group's own redundancies and loss on surplus properties and equipment amounted to £435,000, part of an exceptional loss of £1.17m (nil).

Mr Reed said the company was still in a strong position since it had no borrowings and had increased its share of the market.

# Asprey advances 12% to £24.4m as sales surge

Asprey, the USM-quoted Bond Street jeweller, bucked the retail trend with a 12 per cent increase in pre-tax profits from £21.8m to £24.4m for the year to March 31, writes Roland Rudd.

Sales exceeded £100m for the first time with a 33 per cent increase from £75.3m.

Earnings per share were static at 18.5p. The proposed final dividend is 3.75p (3.25p) making a total for the year of 4.85p.

A review of the merchandising and structure of the Mappin & Webb group, which was acquired last year, resulted in the closure of three UK concessions and the opening of three Far East outlets.

Since the year-end Asprey has acquired Rene Bolvin, a Parisian jewellery designer, manufacturer and retailer, for £3m.

## CROSS BORDER M&A DEALS

| BIDDER/INVESTOR | TARGET | SECTOR | VALUE | COMMENT |
|---|---|---|---|---|
| Oceana Investment Corp (South Africa) | Etam (UK) | Fashion retailing | £87m | Full bid at last |
| BSN (France) | W & R Jacob (Ireland) | Food | £38m | Bid Speculation confirmed |
| Guinness (UK) | Union Cervecera (Spain) | Drinks | £29m | Subject to regulatory approval |
| TI Group (UK) | Dover Japan (Japan) | Ship seals | £25m | Part of planned expansion |
| Societe Generale (France)/ Studio Albertini (Italy) | Albertini & C (JV) | Financial Services | £13.8m | Sixth such briker-manager |
| Tecnica Nacional de Engenharia (Brazil) | SLP Engineering (UK) | Plant | Est £10m | Wimpey sells out to cut debt |
| United Scientific Holdings (UK)/Societe de Fabrications d'Instruments de Mesure (France) | Sopelem (JV) | Electro-optical equipment | £10.2m | Part of wider co-operation |
| Heidelberger Zement (Germany) | Pragocement (Czechoslovakia) | Building materials | £10m | 40 per cent stake |
| Heidelberger Zement (Germany) | Ceva Kraluv Dvur (Czechoslovakia) | Building materials | £10m | 40 per cent stake |
| Penrice (Australia) | Units of ICI (UK) | Soda Ash | £90m | ICI starts assets sales |

Source: FT Mergers & Acquisitions International

The privatisation of eastern Europe is producing a growing number of outright purchases, writes Brian Bollen.

Although the values are still tiny by international standards, the region is clearly responding to the invasion of western financial advisers.

UK engineering group TI became the first British company to buy a controlling stake in a Czechoslovakian privatised company, with its investment in Osinek, the country's only maker of automotive brake products. Last week's clutch of deals in Czechoslovakia also included several large stake purchases in the building materials sector.

Elsewhere, ICI joined the growing list of companies disposing of non-core operations. Its agreement to sell its UK and Kenyan soda ash businesses to Penrice of Australia marks the first significant asset sale since February.

UK construction and property group Wimpey agreed to sell SLP Engineering, which makes modules and decks for the North Sea oil and gas industry. The deal gives Brazil's Odebrecht group a foothold in the sector.

South African-controlled Oceana Investment Corporation's full bid for UK fashion retailer Etam finally materialised with just an hour to spare before a deadline apparently set by the Takeover Panel.

The agreed bid from French foods giant BSN for Irish biscuit maker W&R Jacobs builds on an existing stake which BSN acquired two years ago, and confirms long-standing speculation of a bid.

Still in the food sector, JP Morgan advised Roquette Freres of France in its purchase of fellow corn derivatives concern Hubinger, from HJ Heinz of the US.

# TT extends deadline for MMG offer

TT Group, the industrial holding company, now controls more than 36 per cent of Magnetic Materials Group, the USM-quoted maker of magnetic components.

The deadline for TT's final £9.9m cash offer of 54p per share, or 4-for-10 shares, has been extended to July 11.

TT attacked MMG's latest defence document, which said property sales could raise £3m. It asked why MMG had only just realised it had surplus property.

TT also complained that there was no guide to the current net asset value, nor to turnover or profit in the year starting today.

MMG, which made £1.51m pre-tax in 1989-90 but forecast £625,000 for the year just ending, has stressed its scope for recovery.

# Trans World £1.84m loss

TRANS World Communications, the radio and leisure group that sold its Miss World business in December, reported a pre-tax loss of £1.84m in the year to December compared previous profits of £4.56m after a collapse in advertising revenue.

The dividend for the year is being passed – shareholders received a total of 12p for 1989. Sales rose to £12.99m (£12.72m) and earnings per share of 32p turned into losses of 17.4p.

Mr Owen Oyston, chairman, said the company was in talks to raise additional capital and the renewal of facilities with a view to reducing debt of £11.5m.

# BS Group shows loss of £770,000

BS GROUP, Bristol-based stadium and property group which merged with Scott's Restaurant in November, reported a pre-tax loss of £770,000 for 1990, compared with a profit of £201,000, restated to take account of the merger.

Mr Nicholas Kerman, the deputy chairman, said the fall was the result of higher interest charges of £2.19m (£1.59m) on debt that had risen to £13m as a result of selling some houses at a loss.

Sales fell from £13.2m to £13m. The dividend is again passed.

Kerman family interests control 45 per cent of the stock. Minority holders last year were very critical after a controversy over valuation of Scott's chain.

# Wang plans to cut staff by 23%

By Martin Dickson in New York

WANG Laboratories, the troubled US information technology group which agreed last month to sell computers made by its rival, International Business Machines, is cutting its workforce by around 23 per cent – 3,000 to 4,000 people – over the next few months.

The move stems partly from the IBM deal, which is expected to reduce Wang's manufacturing of mid-range computers, and partly from a general cost-cutting as the company undergoes significant structural changes.

Wang has decided to shift the main focus of its attention from computer manufacturing to high technology office services, notably imaging software, which converts paper documents into electronic pictures.

Wang, which had a monolithic organisational structure, is dividing itself into three business units: information systems, which will make the company's traditional VS mid-range computers and new IBM machines; Office 2000, which will concentrate on imaging software and other services: and personal computer systems.

It is to sell IBM's personal computers and its successful RS/6000 workstations under its own labels. Wang added that it intended to continue making its own personal computers and planned to start mass merchandising them through large electronics stores.

About half of the job cuts will be in Massachusetts, where Wang is based, and the rest around the world. It has around 17,500 employees. Wang, which is believed to have ended the financial year in June with its third annual operating loss, said it expected to make a significant restructuring charge in the final quarter.

The deal with IBM is a bitter blow for Wang, which a decade ago was a strong challenger in the office computer market but has seen sales gradually erode. Analysts say the new strategy carries high risks, since by steering customers to IBM equipment, it could also lose valuable service contracts to the computer giant.

It is also questionable whether Wang can grow its software-based office services business sufficiently quickly to make up for any further decline on the computer side.

# Air New Zealand records NZ$19.4m loss for year

By Terry Hall in Wellington

AIR New Zealand suffered a NZ$19.4m (US$11.18m) loss for the 12 months to March 31, against a profit of NZ$100.1m last year, and is to raise NZ$140m through a one-for-two rights issue.

Both Brierley Investments, which has a controlling stake, and Qantas, the Australian national carrier, are to subscribe for their entitlements in the issue but the other main shareholders, American Airlines and Japan Air Lines, have yet to decide.

The final dividend is being passed, but Mr Bob Matthew, chairman, said the anticipated return to profit should see payment of 8 cents a share in the 1991-92 year. There was no payment in the last year ended March 31.

Mr Matthew said the result was not satisfactory, but in the circumstances it was "not terribly disappointing".

The airline's operating profit plummeted 88 per cent from NZ$62m to NZ$7.6m on revenue ahead NZ$90m to just under NZ$2bn.

Mr Matthew said the domestic passenger volume had been fluctuating month by month but the airline was saving more from rationalisation, including redundancy, than it had expected.

Annual cost reductions of up to NZ$80m had already been achieved and the company expected the domestic services to produce much improved profits.

Internationally the northern hemisphere and Australian markets were some way from recovery and most of Air New Zealand's competitors were reporting dramatic trading reversals.

The Asian market, however, remained strong, which helped the airline to offset the negative effects of the Gulf war and the depressed economies of New Zealand, Australia, the US and Britain.

The company is changing its balance date to a June financial year and the 15-month period will see an abnormal gain from an aircraft sale of NZ$56.4m.

# Endesa to make Pta47bn share offer for Sevillana

By Tom Burns in Madrid

ENDESA, the government controlled utility, is to make a Pta47bn ($415.9m) public share offer for Sevillana, the privately owned electricity company of southern Spain, with the aim of raising its equity in the company from 9.8 per cent to 33.5 per cent.

Trading in Sevillana was suspended at Thursday's price of Pta686 and Endesa's bid will be paying a premium at Pta710 cash per share.

Mr Feliciano Fuster, Endesa's chairman, said that on completion of the equity acquisition, INI, the public sector holding company that currently owns 75 per cent of the utility, would reduce its shareholding in Endesa by 8 per cent.

A 2 per cent tranche of this stock would be bought by Sevillana, and Sevillana shareholders who had previously sold their shares to Endesa would have a preferential offer for the remaining 6 per cent of Endesa's equity.

● Rizzoli-Corriere della Sera, the Italian media group, has injected Pta4.3bn, through a rights issue, into El Mundo, the fourth-ranked Spanish national newspaper.

El Mundo was launched 18 months ago and achieved average daily sales of 104,000 last year.

The funds give the Italian group a 45 per cent stake in the newspaper which under the terms of the agreement will continue to be managed and edited by its present team for 14 years.

El Mundo, which claims to have pushed its daily sales this year up to 125,000 and to 200,000 on Sundays, had earlier raised Pta1.3bn in a capital increase among its existing shareholders.

A campaigning newspaper which has broken a succession of stories on government corruption, El Mundo has an editorial staff of 110 members, only four of whom are more than 40 years old.

El Mundo posted losses of Pta694m in 1990, its first full year of operations, and income of nearly Pta6bn.

# Latin American fund set up

By Stephen Fidler

A FUND mainly aimed at the growing number of Latin American individuals bringing funds back into their own region has been launched.

The Plus 500 Fund, an open-ended fund incorporated in Jersey, is initially seeking up to $60m from rich individuals and institutions willing to invest at least $1.5m. It is not being sold either in the UK or the US.

The fund's adviser is Chartered WestLB, the merchant banking joint venture between Standard Chartered of the UK and Westdeutsche Landesbank, which has run an investment portfolio for its own benefit along similar lines for three years.

Mr Hans Ostlund, a director of Chartered WestLB, said it was envisaged the fund could eventually grow to $250m. With powers to borrow up to 50 per cent of its net asset value, this would allow it to invest almost $400m.

The fund will have broad powers to invest in Latin American debt and equity securities and bank loans, denominated either in foreign or domestic currencies. It will also be able to invest in buy-outs and takeovers, provided that no more than 20 per cent of the fund's gross assets is invested in one company. Its investments will not be limited to Latin America.

A growing amount of the flight capital that left the region in the 1970s and 1980s is returning to Latin America. Some has been attracted to buy bank debt by the extremely low prices to which it fell as banks built up third world debt provisions. There is also evidence of growing investor confidence in the economic performance of some countries in the region.







# Eridania increases holding in rival sugar group to 65%

By Haig Simonian in Milan

ERIDANIA, the Italian sugar producer controlled by the Ferruzzi-Montedison group, has bought a 15 per cent stake in ISI, a large domestic sugar group.

The acquisition takes the Eridania group's holding in ISI to 65 per cent and makes it Europe's biggest sugar producer, just ahead of Südzucker of Germany.

According to Eridania, its share of the sugar market in the European Community will rise to 15 per cent, against 13 per cent for Südzucker.

Domestically, the deal will raise its share of the market to around 60 per cent.

ISI, which had sales of L420bn ($311m) last year, has been an increasingly attractive, but somewhat illusive, target for Eridania.

The acquisition of the latest 15 per cent stake, held by Finbieticola, a financial holding company owned by sugar producers, is believed to have cost L18bn.

In a complex deal, SAFI, the Eridania subsidiary which owns the stake in ISI, has also agreed to an option with Finbieticola to buy the remaining 35 per cent of its stake in ISI at any time until 1995.

# CRA sees profits fall 30%

By Mark Westfield

CRA, the Australian resources group, has predicted a profits fall of at least 30 per cent for 1991 following a statement by its 67 per cent-owned subsidiary, Comalco, that its aluminium smelting business was losing money and that overall profit would be halved.

CRA told the Australian Stock Exchange that earnings would decline at least 30 per cent, or A$165m (US$126.9m), on last year's A$472m net profit if commodity prices did not improve and the Australian dollar remained high.

But analysts believe in the likelihood of an improvement in commodity prices, in particular aluminium, and a depreciation of the Australian currency, both of which would benefit CRA.

Comalco made a net profit last year of A$177m and if earnings fall as expected it will make about A$88m in 1991.





# Asarco to sell Mexican stake

By Kenneth Gooding, Mining Correspondent

ASARCO, the US integrated metals producer, has put up for sale its 31.2 per cent shareholding in Medimsa (Mexico Desarrollo Industrial Minero), which dominates Mexico's copper production.

The US group has invested more than $288m in Medimsa, which accounts for about 95 per cent of copper output in Mexico and 5 per cent in the western world. Asarco intends to use the proceeds to reduce bank debt and says it would ultimately re-invest them in its US operations.

Asarco has called in CS First Boston to advise on the sale of all or part of its holding, either privately or via an international stock offering. The group says it has already contacted a number of potential private buyers.

The rest of the Medimsa shares are owned by Mr Jorge Larrea's Grupo Industrial Minera Mexico, which is listed on the Mexican stock exchange. Medimsa owns 13 mines and seven metallurgical plants in Mexico and had 1990 sales of $870m and net earnings of $171m.

In the past three years Medimsa has acquired the country's two biggest copper producing companies – Mexicana de Cobre and Mexicana de Cananea – and its annual production is expected to be 330,000 short tons of copper (a short ton is 2,000lb), 50,000 short tons of lead, 180,000 short tons of zinc and 16m troy ounces of silver.

# INTERNATIONAL CAPITAL MARKETS

## UK GILTS

# Precious few signs of falling yields

AROUND the beginning of 1991, much of the talk among gilt specialists was of convergence with the other main European bond markets.

Gilts enjoyed a promising spell during the latter half of last year, with many of the securities showing a marked rise in prices.

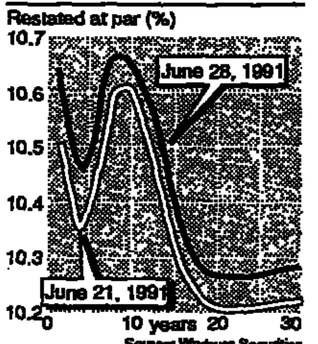
There were hopes that, with the UK economy subject to the restrictions of the European exchange rate mechanism (ERM), the outlook for gilts would be positive, and that yields would continue to fall closer to the levels of German and French government bonds.

However, in the past month, there have been precious few signs of a movement in this direction. The political uncertainties related to the depth of the UK recession, signs of weakness for sterling plus the prospect of large gilt issues over the next year have conspired to dampen enthusiasm for gilts, leading to a general slide in prices along the yield curve.

Last week, yields continued to drift upwards, the rise being most pronounced for short-dated securities, reflecting the pressures resulting from the pound's lack of firmness in the foreign exchange markets.

The market received a boost, however, with the successful

**UK gilts yields**




auction on Wednesday by the Bank of England of a new issue of 10 per cent Treasury bonds, repayable in 2001, which was oversubscribed.

The difficulties for gilts can be appreciated by examining their performance during 1991, compared with that of bonds in the other main markets.

Between early January and the end of last week, gilts of a 10-year benchmark maturity saw a net decline in yields of about 20 basis points, from around 10.8 per cent to 10.6 per cent. Much of the downward yield pressure was in the first quarter of the year, when conditions were generally favourable for the bonds.

Over the same period, French 10-year bonds have seen a fall in yields of about 80 basis points, to 9.1 per cent. German securities of this maturity were being quoted on Friday at about 8.4 per cent, roughly 60 basis points lower than at the beginning of the year.

Between January and last week, Japanese yields at the 10-year level have been little changed. In the US, yields have risen, reflecting the signs of an ending to the recession and worries about a return to inflationary pressures over the next year.

Why have the indications of ERM-inspired convergence for gilts fizzled out? "In the past month, gilts have become subject to a risk premium," says Mr Peter Crawford, an analyst at the London office of J.P. Morgan, the US bank.

"The worries related to the UK economy and the outcome of the next election are having a negative impact on the market."

Mr Sanjay Joshi, an economist at Daiwa, the Japanese securities house, believes the outlook for gilts over the next few months will continue to be depressed. "There will be continuing indications of falling inflation – but that is becoming an old story, and it won't give the market much of a lift."

The statistical evidence of last week generally underlined suggestions that the expected upturn in the UK economy, which the government hoped would have become apparent by now, looks like being delayed.

Pessimistic news about an early recovery came with figures showing that consumers' real disposable income fell between the final quarter of last year and the first three months of 1991 by 0.6 per cent, the largest quarterly fall since early 1985.

One fear is that if incomes decline too steeply during 1991 then, despite the effects of falling inflation, the recovery led by consumers may not happen until after the end of the year.

There is one faint ray of light on the horizon for gilts, says Mr John Sheppard, a bond expert at S. G. Warburg. "As the recession drags on, investors may begin to have their doubts about the outlook for equities," he points out. "As a result, there may be more of a tendency to switch into gilts."

Amid the gloom, this was about the most optimistic sentiment that could be discerned from the gilt market last week.

**Peter Marsh**

## EUROPEAN BONDS

# June provides a lesson in convergence

THE PAST month has provided an object lesson in the nature of European bond market convergence. While yields will probably converge towards German levels in the long term, sudden and sharp corrections can still occur.

The most marked correction has come in France – perhaps the most mature and internationally traded of converging markets – where the 10-year yield spread over German government bonds swung out to 93 basis points last week from around 70 basis points earlier in June. This compares with a yield spread of just 45 basis points earlier this year.

Economists said the collapse was prompted by political gloom as the government of Mrs Edith Cresson faced a vote of no confidence. In addition, with the French currency close to the floor of the European exchange rate mechanism, there are fears that any rise in interest rates in Germany would have to be matched by the Bank of France to defend the franc.

Bond market traders pointed to a more mundane cause – short-selling by a few big international banks, taking profits after five months of steady convergence.

The French market is dependent on foreign investors, particularly at longer maturities, where overseas investors hold around one third of bonds. This is also true of the Spanish bond market, which has also undergone a sharp correction.

Spanish government bond yields at the five-year maturity, the most liquid area of the yield curve, have swung out to over 12 per cent from a low of 11.65 per cent in late May.

On the Spanish economic front, consumer prices in May showed inflation running at a year-on-year rate of 6.2 per cent compared with 5.9 per cent during the period from February to April. The acceleration was enough to unsettle a market betting on further easing of interest rates this year.

An outflow of international funds from Spanish bonds was also prompted by the weakness of the peseta on the foreign exchange markets.

It remained at the top of the European exchange rate mechanism grid, but fell far enough for investors to focus again on risk.

While less dependent on international investment, Italy's bond market has also suffered from political and economic uncertainty.

Analysts said the weakness of the market stems from the government's inability to force through measures to reduce the budget deficit. The government maintains that its deficit target of L132,000bn will not be exceeded. Foreign observers are predicting an outcome closer to L145,000bn – even if measures aimed at reducing the budget deficit are passed.

In the past month, the gross yield on the most liquid 10-year bonds has risen from 12.89 per cent to 13.32 per cent.

Even the Swedish government bond market, which had hardly made it out of the starting gate as a converging market following the decision to link the krona to the Ecu on May 17, has reversed. In the past month 10-year yields have risen to 10.7 per cent whereas in May the government was able to auction 10-year paper at 10.4 per cent.

**Simon London**



## US MONEY AND CREDIT

# Banking cloud darkens cheerful data

PERHAPS the most remarkable aspect of the bond market last week was what it didn't do. For the most part, trading remained on an extremely even keel, with prices oscillating in a relatively narrow range for the first three trading days.

On Thursday, there were some modest gains all round, and only on Friday did the market make a significant movement, its first of the week.

Then, the 30-year bellwether long bond gained almost a point, providing a yield of 8.4 per cent by the close, compared with 8.51 per cent at the end of the previous week.

Given the relatively cheerful economic data – which appeared to back up those forecasts suggesting a modest recovery in the US economy is under way – this sanguine attitude seemed at first surprising. The bond market usually takes a dim view of cheery statistics which may carry inflationary implications.

Certainly, no one could dispute that, for once, the figures were both encouraging and consistent.

New orders for durable goods rose by 3.8 per cent in May, with economists pointing out the advance was fairly well spread among industrial sectors; consumer spending showed a 1.1 per cent rise in the same month, again nicely spread between durable goods, non-durables and services; and the May "leading indicators" index notched up a 0.8 per cent advance, the fourth monthly increase in a row. On the last score, only three of the 11 constituent statistics showed any decline.

**US MONEY MARKET RATES (%)**

| | Last Friday | 1 week ago | 4 wks ago | 12-month High | 12-month Low |
|---|---|---|---|---|---|
| Fed Funds (weekly average) | 8.00 | 5.69 | 5.81 | 11.00 | 2.00 |
| Three-month Treasury bills | 5.70 | 5.73 | 5.67 | 7.81 | 5.53 |
| Six-month Treasury bills | 5.91 | 6.00 | 5.91 | 7.75 | 5.82 |
| Three-month prime CDs | 6.08 | 6.08 | 5.86 | 9.01 | 5.86 |
| 30-day Commercial Paper | 6.00 | 5.95 | 5.82 | 9.95 | 5.80 |
| 90-day Commercial Paper | 6.03 | 6.00 | 5.83 | 10.05 | 5.81 |

**US BOND PRICES AND YIELDS (%)**

| | Last Fri. | Change on wk | Yield | 1 week ago | 4 wk. ago |
|---|---|---|---|---|---|
| Seven-year Treasury | 99[illegible] | +[illegible] | 8.10 | 8.16 | 7.91 |
| 20-year Treasury | 107[illegible] | +[illegible] | 8.41 | 8.51 | 8.26 |
| 30-year Treasury | 96[illegible] | +1[illegible] | 8.40 | 8.51 | 8.26 |

Source: Salomon Bros (estimates).

Money supply: In the week ended June 17, M1 rose by $4.2bn to $860.7bn.

However, all the sunshine was overshadowed by a very large banking sector cloud. Forecasts of a large, and somewhat unexpected, loan loss provision by Wells Fargo, the West Coast commercial bank which had appeared to ride out the banking sector's troubles last year, turned attention on the credit crunch.

Wells' problems stem from its heavily leveraged transaction loans and exposure to the commercial property market. Was there further bad news to hit the troubled sector generally, asked the pundits?

By Thursday and Friday, the rumours were flying. Chase Manhattan was said to be having funding problems; Olympia & York, the property group, was said to have missed a loan payment due to Citicorp; a worrying analyst's report on Citicorp was said to be circulating; and so on.

It is also true that the economic indications, while signalling the recovery has begun, do not suggest it is proceeding at a rip-roaring pace. The point is made, for example, that the fairly significant increase in consumer spending last month was matched by a more modest 0.5 per cent income increase.

The savings rate, meanwhile, has dipped to 3.6 per cent – and although some pundits note this has not proved an obstacle to rising consumer spending, others see it as a potential check.

As analysts at S. G. Warburg point out: "The savings rate . . . gives potential consumption activity a much weaker profile than was the case as the economy emerged from the 1982 recession, when the savings rate was 6.8 per cent, and the bond market's scepticism about prospective economic conditions and supply constitutes an additional constraint over the speed of the recovery.

"These factors make it virtually impossible for the economy to generate the kind of economic growth that is typical of a recovery year."

Accordingly, then, the "w" scenario continues to make the rounds, even if an increasingly large body of analysts are sceptical about its relevance. Under such a sequence, the economy would enjoy a short-lived recovery, lurch back into recession as the authorities tighten credit to prevent inflation, and only subsequently see a more sustainable improvement.

So, with the strength and drift of the recovery still a matter of active debate, there is little doubt that this week's June employment figures will be the focus of attention.

Few analysts expect any dramatic improvement – indeed, many suggest the unemployment rate may edge up to 7 or 7.1 per cent. This, the optimists argue, should not be taken as a cause for alarm.

Nevertheless, without any marked improvement in payroll employment, it seems likely the figures will be interpreted as a sign that a tentative recovery is consolidating. A full-blooded revival, it seems, still eludes the US.

**Nikki Tait**

## FT/AIBD INTERNATIONAL BOND SERVICE

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on June 28

# INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

## Prospects gloomy as M&A trade declines

BORROWERS in the international capital market can choose from a range of options such as international bonds and shares, syndicated loans, Euro-commercial paper, medium-term note programmes and note issuance facilities.

It is no doubt extremely galling for some – namely the syndicated loan bankers – that business has been so sluggish this year while others – namely those involved in the securities sector – are enjoying something of a beanfeast.

There were 431 syndicated loans and note issuance facilities (NIFs) worldwide in the first six months of 1991 worth $99.74bn, according to figures compiled by International Financing Review (IFR). By comparison, in the second half of 1990 there were 596 loans and NIFs, worth $189.5bn, while in the first half of 1990 there were 761 issues worth $184bn.

In the league table of lead managers and arrangers, Citicorp ranked first with $21.48bn of the syndicated loans and NIFs and a total of 30 issues in the first half of 1991.

Citicorp also came top of the league in the first half of 1990 with 70 issues worth $52bn, but in the second half of 1990, it slipped to fourth place while NatWest topped the league with 68 issues worth $32.2bn.

The reasons for the fall in the number and total size of issues are familiar. Banks are looking more cautiously at their lending activities because of international capital adequacy requirements agreed by the Basle Committee, while a recession in the Anglo-Saxon economies has curtailed some of the corporate desire to borrow further, given that many companies are already highly geared.

Financial Market Trends, an OECD report released last week, points out that while US companies are still borrowing in the syndicated loan market at about the same level as in 1990, their borrowing requirements are at nowhere near the level seen in 1988-89, largely because of the decline in merger and acquisition financing.

Italian borrowers, who were "a major force" in the European syndicated loan market, are borrowing less now – $2.2bn in the first four months of this year, compared with $3.1bn in the same period last year – according to the OECD report.

Prospects for the immediate future seem dismal. Syndicated loan bankers point out that this market has experienced its ups and downs in the past and claim that this has not affected their ability to entice companies back to the syndicated credits market.

However, M&A financings are almost non-existent and top-rated borrowers can raise money more cheaply from other areas of the capital markets.

Many banks are concentrating on refinancings for top-quality borrowers at the moment and the OECD report concludes that "the future pace of overall growth in the international markets will crucially depend upon the volume of demand by borrowers with high credit standing."

One glimmer of hope in the short term is that with the conclusion of the Gulf war, countries in the Middle East may turn to the syndicated loans market in order to pay for the economic reconstruction of the region.

So far, Saudi Arabia has negotiated a $4.5bn syndicated loan for general purposes (although the money may go towards paying for the coalition war effort) and Kuwait is also thought very likely to use the syndicated loans market.

**Sara Webb**

### EUROMARKET TURNOVER ($m)

| Primary Market | Straights | Conv | FRN | Other |
|---|---|---|---|---|
| US$ | 1,773.0 | 214.3 | 300.8 | 16,350.8 |
| Prev | 1,627.6 | 125.0 | 346.1 | 14,039.4 |
| Other | 3,610.2 | 351.2 | 151.8 | 6,816.5 |
| Prev | 4,386.1 | 216.7 | 289.4 | 6,603.2 |
| **Secondary Market** | | | | |
| US$ | 22,135.3 | 1,047.4 | 7,661.8 | 9,417.5 |
| Prev | 18,683.7 | 674.2 | 8,508.7 | 9,498.2 |
| Other | 33,806.8 | 2,490.7 | 3,838.6 | 61,989.5 |
| Prev | 36,134.7 | 1,281.3 | 3,802.2 | 51,846.8 |

| | Cedel | Euroclear | Total |
|---|---|---|---|
| US$ | 18,204.2 | 40,696.7 | 58,900.9 |
| Prev | 21,002.5 | 32,500.4 | 53,502.9 |
| Other | 47,234.5 | 67,420.8 | 114,655.3 |
| Prev | 41,288.0 | 63,182.4 | 104,470.4 |

Week to June 27, 1991

Source: AIBD

INTERNATIONAL BONDS

## Eurobonds find the first six months most profitable

THE FIRST six months of this year have been the most profitable period for intermediaries in the Eurobond market since the mid-1980s, according to bankers.

Despite the lull in activity during the Gulf war, the volume of new issues grew 50 per cent, from just under $80bn in the first six months of 1990 to $121bn so far this year.

As institutional investors shifted out of money market instruments into bonds at the end of the war, markets rallied and Eurobond yields tightened substantially relative to government bonds. "All the stars came into alignment," said one syndicate manager. "In February and March, you had to be a real mug not to make money."

A series of fairly priced, negotiated transactions – Italy's large dollar deal and the UK's Ecu2bn offering followed by Belgium's Ecu bonds, for example – did just that. Profits were also boosted by increased volume on the trading side, spurred by volatility.

But the market upswing – and the commitment to pricing that was fair to both borrowers and investors – inevitably began to fade. Subsequent Ecu deals, such as Norway's recent Ecu1bn offering, have performed poorly, and certain sectors became overloaded.

Corporate borrowers, many of which had been virtually excluded from the market by recession-stirred credit concerns, were able to return to the market, but the appetite of continental European investors hungry for dollar paper was soon sated, as their view on the dollar became uncertain.

"The return of US companies has been borrower-driven rather than investor-driven. The only reason they came here rather than in the US domestic market is that Eurobond houses were pricing deals aggressively and fees are smaller," one banker said.

The market now appears to be entering a summer lull, with bond markets in a period of range-trading, and a number of banks are holding substantial unsold inventory, left over from recent deals, which they will be keen to offload if there are signs of improvement.

The Eurobond industry has achieved some structural improvements which at least leave it better positioned to benefit when markets move favourably: the concerted effort to restore commissions, through the use of the fixed-price reoffer, has been largely successful, and the diminishing number of players has partly alleviated the industry's chronic overcapacity.

In the dollar sector, a 50 per cent increase in volume to $37bn was due to an upturn in both equity-linked ($14bn from $7bn) and straight ($22bn from $15.5bn) bond issuance.

The political commitment of a number of European governments to use the Ecu helped fuel the continuing growth of the sector, which also doubled.

The convergence of interest rates within the European Community helped fuel demand for Italian bonds and Spanish matador bonds, as interest rates there fall. Volume of Lira Eurobonds rose to $4.75bn equivalent, from $2.5bn. (Matador bonds – classed as international bonds rather than Eurobonds – are not recorded in the table.)

Nomura International, the Japanese securities house, maintained its lead in the Eurobond market, with a slightly increased market share of bookrunning positions at 10 per cent.

**Tracy Corrigan**

### TOP EUROBOND LEAD MANAGERS

| Manager | First half of 1991 $bn | Rank | % | Issues | First half of 1990 $bn | Rank | % | Issues |
|---|---|---|---|---|---|---|---|---|
| Nomura | 12.36 | 1 | 10.23 | 65 | 7.64 | (1) | 9.75 | 48 |
| CSFB | 9.05 | 2 | 7.49 | 34 | 5.06 | (2) | 6.45 | 25 |
| Paribas | 8.80 | 3 | 7.29 | 19 | 3.68 | (5) | 4.69 | 15 |
| Morgan Stanley | 8.26 | 4 | 6.84 | 13 | 1.99 | (14) | 2.53 | 15 |
| Daiwa | 6.98 | 5 | 5.78 | 46 | 2.93 | (8) | 3.74 | 25 |
| Deutsche Bank | 6.28 | 6 | 5.20 | 35 | 4.90 | (3) | 6.25 | 27 |
| Yamaichi | 5.36 | 7 | 4.44 | 38 | 0.99 | (25) | 1.27 | 8 |
| SBC | 4.07 | 8 | 3.37 | 16 | 1.22 | (22) | 1.55 | 10 |
| S.G. Warburg | 4.05 | 9 | 3.36 | 18 | 1.50 | (19) | 1.92 | 8 |
| Merrill Lynch | 3.89 | 10 | 3.22 | 15 | 2.38 | (10) | 3.03 | 17 |
| Industry totals | †121.30 | | | 865 | 78.90 | | | 568 |

† Preliminary Figures - Full credit to book runner

Source: IFR BONDBASE

### EUROBOND ISSUES BY CURRENCY

| Rank | Currency | 1st half 1991 Total raised ($bn) | No. of issues | 1st half 1990 Rank | Total raised ($bn) | No. of issues |
|---|---|---|---|---|---|---|
| 1 | US$ | 37.98 | 186 | 1 | 25.92 | 145 |
| 2 | Ecu | 21.38 | 47 | 3 | 10.69 | 52 |
| 3 | Sterling | 16.06 | 79 | 2 | 11.66 | 54 |
| 4 | Yen | 13.39 | 92 | 4 | 9.52 | 128 |
| 5 | C$ | 8.88 | 61 | 9 | 2.43 | 28 |
| 6 | D-Mark | 8.84 | 78 | 5 | 9.17 | 59 |
| 7 | FFr | 5.54 | 37 | 6 | 3.33 | 23 |
| 8 | Lira | 4.77 | 28 | 7 | 2.54 | 18 |
| 9 | A$ | 2.19 | 33 | 8 | 2.48 | 47 |
| 10 | Guilder | 0.75 | 4 | 10 | 0.53 | 4 |

Source: IFR BONDBASE

### NEW INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Book runner | Offer yield % |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Mitsubishi Tst.Fin.(b)‡† | 100 | 2001 | 10 | (b) | 101⅞ | Salomon Bros. | - |
| Nippon Denko(e)♦† | 100 | 1995 | 4 | 4 | 100 | Yamaichi Int. | 4.000 |
| Asahi Glass Co.(d)♦† | 370 | 1998 | 7 | 5½ | 100 | Yamaichi Int. | 5.500 |
| DSL Bank† | 200 | 1993 | 2 | 7½ | 100⅞ | Nomura Int. | 7.016 |
| Ryosan Co.♦ | 100 | 1995 | 4 | 4 | 100 | Daiwa Europe | 4.000 |
| EIB(o)† | 500 | 1998 | 7 | 8¾ | 100 | Goldman Sachs | 8.750 |
| Tongyang Nylon Co.(l)§† | 30 | 2005 | 14½ | 3¼ | 100 | Yamaichi Int. | 3.249 |
| Sankyo Aluminium♦ | 200 | 1995 | 4 | 4 | 100 | Daiwa Europe | 4.000 |
| Toa Steel♦ | 160 | 1996 | 5 | 5 | 100 | Nomura Int. | 5.000 |
| Takashimaya Co.♦ | 270 | 1996 | 5 | 5 | 100 | Nomura Int. | 5.000 |
| Daido Steel♦ | 220 | 1996 | 5 | 5 | 100 | Nikko Secs. | 5.000 |
| MBE Finance(s)‡† | 30 | 2001 | 10 | (s) | 102 | Mitsubishi Fin.Int. | - |
| **ECUs** | | | | | | | |
| Swedish Export Credit(q)† | 100 | 1994 | 2½ | 9¼ | 101 1/16 | Yamaichi Int. | 8.731 |
| ASLK-CGER Ifico† | 50 | 1993 | 2 | 10 | 101¾ | Mitsubishi Fin.Int. | 9.005 |
| **CANADIAN DOLLARS** | | | | | | | |
| Hydro Quebec(u)† | 1bn | 2001 | 10 | 10⅞ | 99.43 | Merrill Lynch Int. | 10.967 |
| **FRENCH FRANCS** | | | | | | | |
| Credit National(m)† | 700 | 1996 | 4⅔ | 9⅝ | 101.40 | Credit Lyonnais | 9.217 |
| **D-MARKS** | | | | | | | |
| Hisamitsu Pharm.(a)♦† | 100 | 1995 | 4 | 4 | 100 | Nikko Bk GmbH | 4.000 |
| Asahi Glass(d)♦† | 630 | 1995 | 4 | 4 | 100 | WestLB | 4.000 |
| Sankyo Aluminium♦ | 120 | 1995 | 4 | 4 | 100 | Daiwa Europe GmbH | 4.000 |
| Ohtsu Tire & Rubber♦ | 75 | 1995 | 4 | 4 | 100 | Nomura Bk GmbH | 4.000 |
| Republic of Finland† | 300 | 1998 | 7 | 8½ | 101⅛ | Dresdner Bank | 8.282 |
| **SWISS FRANCS** | | | | | | | |
| Province of Newfoundland† | 150 | 2003 | - | 7 | 102 | UBS | 6.752 |
| Fuji Co(c)★★♦† | 100 | 1998 | - | 3¼ | 100 | Banca del Gottardo | 3.250 |
| Shizuki Electric Co.(f)★★♦ | 60 | 1996 | - | 2¾ | 100 | Coutts and Co.AG | 2.750 |
| Meisei Industries Co.(g)★★♦ | 50 | 1996 | - | 2¾ | 100 | Coutts and Co.AG | 2.750 |
| Nichiban Co.(h)★★♦† | 50 | 1995 | - | 2½ | 100 | Credit Suisse | 2.500 |
| Mikasa Coca-Cola(i)★★♦ | 45 | 1996 | - | 2¾ | 100 | Credit Suisse | 2.750 |
| Stamina Foods Inc.(j)★★§ | 35 | 1995 | - | 4 | 100 | Coutts and Co.AG | 4.000 |
| Gyosei Corp★★† | 30 | 1996 | - | 7¼ | 100 | Dai-Ichi Kyo.Bk | 7.250 |
| North East Fin.of Japan† | 220 | 2001 | - | 6½ | 101½ | Bque.Paribas (Suisse) | 6.293 |
| Tenmaya Store Co.(n)★★♦ | 50 | 1995 | - | 2½ | 100 | Nomura Bk (Switz) | 2.500 |
| Matsumoto Key.Corp(p)★★§ | 50 | 1995 | - | 4 | 100 | SBC | 3.997 |
| Nippon Yusoki Co.(r)★★§ | 50 | 1996 | - | 4⅞ | 100 | Nikko Bk (Switz) | 4.869 |
| Takashimaya Co.(t)★★♦ | 100 | 1996 | - | 3½ | 100 | UBS | 3.500 |
| Harima Chemicals★★♦ | 50 | 1995 | - | 2½ | 100 | Daiwa (Switz) | 2.500 |
| **GUILDERS** | | | | | | | |
| Bk Nederlandse Gemeente† | 1bn | 2003 | 12 | zero | 38.10 | ABN Amro | 8.373 |
| IADB† | 250 | 1998 | 7 | 8⅞ | 100.95 | ABN Amro | 8.688 |
| **LIRE** | | | | | | | |
| Mobil Aust.Fin.Co.† | 150bn | 1994 | 3 | 12⅛ | 101⅜ | Bca.Comm.Italiana | 11.557 |
| British Gas Int.Fin.BV† | 150bn | 1996 | 5 | 12 | 101½ | Bca.D'America d'Italia | 11.588 |
| **YEN** | | | | | | | |
| SIF (Australia)† | 10bn | 1996 | 5 | 7.55 | 100 | Morgan Stanley Int. | 7.550 |
| Trips Series S† | 4.5bn | 1995 | 4¼ | 7.4 | 101⅝ | Toyo Trust Int. | 6.932 |
| Marubeni Inv.Corp† | 20bn | 1998 | 7 | 7½ | 101.70 | Yamaichi Int. | 7.183 |
| **LUXEMBOURG FRANCS** | | | | | | | |
| Credit National (Paris)† | 1bn | 1996 | 5 | 9⅛ | 101¾ | BGL | 8.679 |
| BFCE★★† | 1bn | 1994 | 3½ | 9¼ | 101.85 | KBL | 8.583 |
| Cerinvest BV★★† | 500 | 1996 | 5 | 9¼ | 101¾ | BCEE | 8.802 |
| Sparkassen Bikuben(k)★★† | 400 | 1996 | 5 | 9¼ | 101⅛ | BCEE | 8.802 |
| Skanska AB★★† | 500 | 1996 | 5 | 9½ | 101.95 | BGL | 8.999 |
| Postipankki† | 1bn | 1996 | 5 | 9⅜ | 101⅞ | Credit Europeen | 8.894 |
| Buhrmann-Tetterode NV★★† | 500 | 1996 | 5 | 9⅜ | 101.65 | BGL | 8.951 |
| Lease Plan Hlg.NV★★† | 500 | 1995 | 4.167 | 9⅜ | 101⅞ | KBL | 8.802 |
| Accor SA★★† | 750 | 1994 | 3 | 9½ | 101.65 | BGL | 8.850 |

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. ♦Variable rate notes. †Final terms. a) Exercise premium fixed at 2.52%. Non-callable. b) Coupon pays 50bp over 6-month Libor. Callable at par, once only, after 3 years. If call not exercised, the coupon will be fixed at 9⅝%. c) Callable 8/1/95 at 101¼% declining ¼% semi-annually. Exercise premium fixed at 2.52%. d) Exercise premium fixed at 2.5%. Non-callable. e) Exercise premium fixed at 2.58%. Non-callable. f) Callable 23/7/92 at 102% declining ¼% semi-annually. g) Callable 18/7/92 at 102% declining ¼% semi-annually. h) Callable 11/7/93 at 101% declining ½% annually. Exercise premium fixed at 2.5%. i) Callable 11/7/94 at 101% declining ½% annually. j) Put option 28/2/94 at 107% to yield 5.63%. k) Fungible with existing LFr600m deal. Non-callable. l) Callable at any time from 1/1/93 at 104% declining 1% per annum to par in 1997, subject to 140% share price rule. Put option 10/7/96 at 127.80% to yield 8%. Conversion premium fixed at 27%. m) Fungible with existing FFr1bn deal. Non-callable. n) Callable 18/7/93 at 102% declining ½% semi-annually. o) Fees – Selling concession – 10bp. Non-callable. p) Put option 31/3/94 at 107% to yield 6.42%. q) Fungible with existing Ecu250m. Non-callable. r) Callable 30/9/93 at 102½% declining ½% semi-annually. s) Issued in 2 tranches: Tranche A; $20m, coupon pays 6-month Libor + 55bp for first 2 years, then 9⅝% thereafter, callable once only, on 12/7/93 at par. Tranche B; $10m, 6-month Libor + 45bp for first 4 years, then 9⅞% thereafter, callable once only, on 12/7/95 at par. t) Callable 16/1/93 at 102¾% declining ¼% semi-annually. u) Global issue. Coupon payable semi-annually. Non-callable. Note: Yields are calculated on AIBD basis.

# WORLD STOCK MARKETS

# INDICES

## NEW YORK

| DOW JONES | June 28 | June 27 | June 26 | June 25 | 1991 HIGH | 1991 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| ◆Industrials | 2906.75 | 2934.93 | 2913.01 | 2910.11 | 3035.33 (3/6) | 2470.30 (9/1) | 3035.33 (3/6/91) | 41.22 (2/7/32) |
| Home Bonds | 94.21 | 94.24 | 94.06 | 94.07 | 95.09 (30/5) | 91.30 (16/1) | 95.51 (9/2/87) | 54.99 (1/10/81) |
| Transport | 1151.45 | 1150.56 | 1146.69 | 1143.86 | 1241.89 (3/6) | 894.30 (7/1) | 1532.01 (5/9/89) | 12.32 (8/7/32) |
| Utilities | 196.87 | 199.20 | 197.81 | 197.25 | 220.89 (16/4) | 196.87 (28/6) | 236.23 (2/1/90) | 10.50 (8/4/32) |

◆Day's High 2934.03 (2946.56) Low 2879.25 (2909.21)

| STANDARD AND POOR'S | June 28 | June 27 | June 26 | June 25 | 1991 HIGH | 1991 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 371.16 | 374.40 | 371.59 | 370.65 | 390.45 (17/4) | 311.49 (9/1) | 390.45 (17/4/91) | 4.40 (1/6/32) |
| Industrials | 442.06 | 446.38 | 433.17 | 442.22 | 463.23 (18/4) | 364.90 (9/1) | 463.23 (18/4/91) | 3.62 (21/6/32) |
| Financial | 28.98 | 29.20 | 29.09 | 28.99 | 31.58 (18/4) | 21.96 (9/1) | 35.24 (9/10/89) | 8.64 (1/10/74) |
| NYSE Composite | 203.47 | 204.94 | 203.54 | 203.21 | 213.21 (17/4) | 170.97 (9/1) | 213.21 (17/4/91) | 4.46 (25/4/42) |
| Amex Mkt. Value | 358.12 | 359.43 | 358.54 | 358.59 | 373.40 (18/4) | 296.72 (14/1) | 397.03 (10/10/89) | 29.31 (9/12/72) |
| NASDAQ Composite | 475.92 | 476.24 | 473.08 | 473.30 | 511.31 (17/4) | 355.75 (14/1) | 511.31 (17/4/91) | 54.87 (31/10/72) |

| | June 21 | June 14 | June 7 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 3.07 | 3.03 | 3.05 | 3.67 |

| | Jun 26 | Jun 19 | Jun 12 | year ago (approx.) |
|---|---|---|---|---|
| S & P Industrial div. yield | 2.83 | 2.80 | 2.79 | 2.96 |
| S & P Indl. P/E ratio | 18.68 | 18.85 | 18.91 | 16.95 |

## NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Compaq | 2,226,600 | 31⅛ | + 1⅛ |
| Chase Manhtn. | 2,082,800 | 16¼ | - 1⅛ |
| Saatchi & S. | 2,028,900 | ⅞ | — |
| Alld. Signal | 1,876,200 | 33⅛ | - ⅛ |
| IBM | 1,768,800 | 97⅛ | - ½ |
| Pepsico | 1,729,800 | 28⅞ | - ¼ |
| Philip Morris | 1,640,500 | 63½ | - ⅝ |
| Businessland | 1,617,600 | 1 | — |
| C&S/Sovran | 1,507,800 | 24 | + ⅛ |
| Centerior | 1,463,800 | 16¼ | - 1⅛ |

## TRADING ACTIVITY

| † Volume (Millions) | June 28 | June 27 | June 26 |
|---|---|---|---|
| New York SE | 162.670 | 155.820 | 186.830 |
| Amex | 12.721 | 9.291 | 11.347 |
| NASDAQ | (u) | 138.909 | 136.477 |
| **NYSE** | | | |
| Issues Traded | 2,056 | 2,043 | 2,039 |
| Rises | 659 | 938 | 688 |
| Falls | 915 | 577 | 856 |
| Unchanged | 482 | 528 | 495 |
| New Highs | 19 | 20 | 19 |
| New Lows | 31 | 16 | 39 |

## CANADA

| TORONTO | Jun 28 | Jun 27 | Jun 26 | Jun 25 | 1991 HIGH | 1991 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 3175.24 | 3181.67 | 3181.36 | 3161.77 | 3284.18 (5/3) | 2632.06 (9/1) |
| Composite | 3465.82 | 3474.61 | 3481.13 | 3478.69 | 3582.07 (7/6) | 3161.95 (15/1) |
| MONTREAL Portfolio | 1835.23 | 1844.53 | 1845.31 | 1838.72 | 1903.86 (7/6) | 1686.89 (9/1) |

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

| | June 28 | June 27 | June 26 | June 25 | 1991 HIGH | 1991 LOW |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1506.2 | 1500.9 | 1506.9 | 1499.8 | 1558.3 (29/4) | 1284.5 (16/1) |
| All Mining (1/1/80) | 656.6 | 652.8 | 654.4 | 652.1 | 680.1 (29/4) | 561.6 (16/1) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 480.77 | 494.32 | 504.29 | 504.89 | 534.81 (16/4) | 398.84 (15/1) |
| **BELGIUM** | | | | | | |
| BEL20 (1/1/91) | 1162.54 | 1159.86 | 1160.32 | 1155.95 | 1212.15 (17/4) | 917.59 (17/1) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | (u) | 367.38 | 367.76 | 367.04 | 367.80 (20/6) | 302.25 (8/1) |
| **FINLAND** | | | | | | |
| HEX General (28/12/90) | 974.9 | 971.9 | 986.5 | 985.9 | 1186.9 (8/4) | 898.5 (29/1) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | 470.77 | 470.32 | 473.42 | 471.44 | 494.95 (12/6) | 394.88 (15/1) |
| CAC 40 (31/12/87) | 1747.62 | 1767.99 | 1760.52 | 1775.53 | 1874.81 (11/6) | 1425.26 (15/1) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 682.47 | 701.04 | 706.51 | 712.29 | 717.43 (17/6) | 578.40 (15/1) |
| Commerzbank (1/12/53) | 1923.2 | 1978.1 | 1991.6 | 2006.8 | 2035.2 (31/5) | 1622.5 (15/1) |
| DAX (30/12/87) | 1622.18 | 1666.09 | 1672.14 | 1691.47 | 1715.80 (11/6) | 1311.82 (16/1) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 3668.64 | 3629.79 | 3634.64 | 3604.26 | 3917.09 (20/5) | 2984.01 (16/1) |
| **IRELAND** | | | | | | |
| ISEQ Overall (4/1/88) | 1365.00 | 1362.54 | 1355.74 | 1354.63 | 1520.65 (15/3) | 1114.86 (25/1) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 586.21 | 586.87 | 589.63 | 582.97 | 619.38 (3/6) | 486.26 (29/1) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 23290.96 | 23543.03 | 23766.38 | 23907.42 | 27146.91 (18/3) | 22442.78 (16/1) |
| Tokyo SE (Topix) (4/1/68) | 1819.01 | 1832.10 | 1847.84 | 1852.67 | 2028.85 (18/3) | 1625.88 (17/1) |
| 2nd Section (4/1/68) | 3237.17 | 3252.93 | 3267.43 | 3254.17 | 3423.45 (10/5) | 2473.92 (24/1) |
| **MALAYSIA** | | | | | | |
| KLSE Composite (4/4/86) | 618.69 | 622.69 | 624.08 | 623.07 | 635.02 (29/5) | 478.41 (16/1) |
| **NETHERLANDS** | | | | | | |
| CBS Ttl.Rtn.Gen.(End 1983) | 277.2 | 277.6 | 276.1 | 278.4 | 284.8 (5/6) | 221.4 (16/1) |
| CBS All Shr (End 1983) | 197.5 | 197.8 | 196.7 | 198.4 | 203.1 (5/6) | 162.5 (16/1) |
| **NORWAY** | | | | | | |
| Oslo SE (Ind) (2/1/83) | 756.75 | 759.94 | 763.43 | 767.62 | 792.13 (4/6) | 618.65 (21/1) |
| **PHILIPPINES** | | | | | | |
| Manila Comp (2/1/85) | 1059.26 | 1042.32 | 1048.88 | 1024.68 | 1183.40 (29/5) | 582.64 (18/1) |
| **SINGAPORE** | | | | | | |
| SES All-Singapore (2/4/75) | 402.15 | 403.14 | 404.51 | 403.27 | 422.43 (26/4) | 315.97 (16/1) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | 1374.0§ | 1351.0 | 1372.0 | 1329.0 | 1416.0 (10/6) | 971.0 (25/2) |
| JSE Industrial (28/9/78) | 3817.0§ | 3797.0 | 3804.0 | 3822.0 | 3911.0 (20/6) | 2829.0 (16/1) |
| **SOUTH KOREA**** | | | | | | |
| Korea Comp Ex. (4/1/80) | 602.60 | 602.61 | 597.60 | 595.21 | 697.62 (4/1) | 590.57 (22/6) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 276.99 | 278.35 | 278.88 | 278.08 | 289.22 (18/3) | 213.78 (14/1) |
| **SWEDEN** | | | | | | |
| Affarsvariden Gen. (1/2/37) | 1130.9 | 1130.2 | 1125.2 | 1123.6 | 1137.8 (19/6) | 888.4 (8/2) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 740.9 | 744.2 | 749.8 | 753.1 | 764.1 (31/5) | 590.4 (14/1) |
| SBC General (1/4/87) | 615.0 | 617.6 | 620.7 | 623.2 | 638.0 (31/5) | 487.1 (14/1) |
| **TAIWAN**** | | | | | | |
| Weighted Price (30/6/66) | 5900.70 | 5931.26 | 6023.18 | 5872.74 | 6305.22 (9/5) | 3316.26 (15/1) |
| **THAILAND** | | | | | | |
| Bangkok SET (30/4/75) | 765.21 | 766.00 | 769.49 | 749.82 | 908.13 (19/4) | 592.48 (16/1) |
| **WORLD** | | | | | | |
| M.S. Capital Intl.(1/1/70) (\$) | 484.9* | 489.6 | 489.3 | 489.8 | 529.2 (17/4) | 439.1 (16/1) |

**Saturday June 22: Taiwan Weighted Price: 6132.73 Korea Comp Ex. 590.57.
§ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

## TOKYO - Most Active Stocks

Friday 28 June 1991

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Chiyoda | 8.0m | 2,080 | -280 |
| Nippon Steel | 5.8m | 406 | -2 |
| Mitsubishi Heavy | 5.8m | 702 | +2 |
| Akai Elect. | 4.8m | 1,250 | -60 |
| Kitano Constr. | 3.9m | 1,790 | +40 |
| Nomura Secs. | 3.9m | 1,810 | -80 |
| Nippon Carbon | 3.5m | 794 | -36 |
| Hitachi | 3.0m | 1,100 | 0 |
| Kawasaki Heavy | 2.8m | 595 | -10 |
| Clarion | 2.8m | 973 | +1 |

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

# AUTHORISED UNIT TRUSTS

**Abbey Unit Tst Mngrs (1000)H**
80 Holdenhurst Rd, Bournemouth 0345 717373

| Unit Name | Init Chrge | Canc. Price | Bid Price | Offer Price | Yield Gr's | City-line |
|---|---|---|---|---|---|---|
| High Income | | | | | | |
| American Income | 6 | 48.94 | 49.44 | 52.59 | 6.60 | 40000 |
| Gilts & Fixed Int | 6 | 110.1 | 110.1 | 116.7 | 9.85 | 40001 |
| High Inc Equity | 6 | 131.6 | 135.3 | 143.9 | 6.91 | 40002 |
| Worldwide Bond | 6 | 208.7 | 208.7 | 227.1 | 6.78 | 40003 |
| Capital Growth | | | | | | |
| American Growth | 6 | 200.3 | 201.4 | 214.2 | 1.02 | 40004 |
| Asian Pacific | 6 | 133.9 | 136.7 | 145.4 | 1.08 | 40005 |
| Assets & Earnings | 6 | 168.9 | 172.7 | 183.7 | 3.15 | 40006 |
| Capital Reserve Acc | 0 | 105.0 | 105.0 | 105.1 | 7.22 | 40007 |
| Capital Reserve Inc | 0 | 83.04 | 83.04 | 83.10 | 7.22 | 47580 |
| Comdty & Energy | 6 | 78.69 | 80.77 | 85.92 | 1.73 | 40008 |
| 1992 Enterprise | 6 | 61.81 | 63.29 | 67.32 | 2.57 | 40097 |
| Euro Capital Acc | 6 | 87.71 | 89.03 | 94.71 | 1.43 | 40009 |
| Euro Capital Inc | 6 | 83.80 | 85.07 | 90.49 | 1.44 | 47581 |
| General | 6 | 164.1 | 167.5 | 178.1 | 2.81 | 40010 |
| Japan | 6 | 98.93 | 99.64 | 106.0 | – | 40011 |
| Masterfunds | 6 | 89.06 | 90.55 | 96.32 | 2.12 | 40012 |
| UK Growth Acc | 6 | 154.3 | 160.9 | 171.1 | 2.65 | 40013 |
| UK Growth Dist | 6 | 99.11 | 103.4 | 110.0 | 2.66 | 40014 |
| US Emerging Cos | 6 | 65.43 | 67.18 | 71.46 | – | 40015 |

**Bishopsgate Progressive Mgmt Co (1200)F**
15 St James' Place, London SW1A 1NW 071-493 8111

| Unit Name | Init Chrge | Canc. Price | Bid Price | Offer Price | Yield Gr's | City-line |
|---|---|---|---|---|---|---|
| Progressive Inc | 5 | 19.01 | 19.01 | 20.06 | 1.17 | 40168 |
| Progressive Acc | 5 | 28.65 | 28.65 | 30.24 | 1.17 | 40169 |
| International Inc | 5 | 19.98 | 19.98 | 21.09 | 1.33 | 40170 |
| International Acc | 5 | 26.55 | 26.55 | 28.02 | 1.33 | 40171 |
| Can & Foreign Inc | 5 | 230.2 | 230.2 | 243.0 | 0.96 | 40173 |
| Can & Foreign Acc | 5 | 275.1 | 275.1 | 290.3 | 0.96 | 40174 |
| Special Sits Inc | 5 | 206.1 | 206.1 | 217.5 | 1.45 | 40175 |
| Special Sits Acc | 5 | 223.8 | 223.8 | 236.2 | 1.45 | 40176 |
| PEP Inc | 5 | 132.7 | 134.5 | 141.9 | 1.12 | 47667 |
| PEP Acc | 5 | 143.7 | 143.5 | 157.5 | 1.12 | 47668 |
| Growth Inc | 5 | 81.74 | 81.74 | 86.27 | 0.91 | 45203 |
| Growth Acc | 5 | 82.08 | 82.08 | 86.63 | 0.91 | 45204 |

**Brewin Dolphin Unit Tst Mgrs Ltd (0905)F**
5 Giltspur St, London EC1A 9DE 071-236 6441

| Unit Name | Init Chrge | Canc. Price | Bid Price | Offer Price | Yield Gr's | City-line |
|---|---|---|---|---|---|---|
| Dolphin Special Sits | 5¼ | 124.8 | 124.8 | 133.4 | 3.49 | 40177 |
| Dolphin Dividend | 5½ | 59.55 | 59.55 | 63.68 | 6.18 | 40178 |
| Dolphin Int Inc & Gth | 5½ | 156.6 | 156.6 | 167.4 | 5.73 | 40179 |
| Dolphin UK & Gen | 5½ | 32.22 | 32.38 | 34.63 | 3.23 | 46854 |
| Dolphin Fund of Funds | 5½ | 47.48 | 49.39 | 52.82 | 2.84 | 46640 |

**Britannia Life Unit Managers Ltd (1200)F**
190 West George St, Glasgow G2 2PA 041-332 3132

| Unit Name | Init Chrge | Canc. Price | Bid Price | Offer Price | Yield Gr's | City-line |
|---|---|---|---|---|---|---|
| Balanced Growth | 6 | 72.32 | 73.76 | 78.89 | 3.15 | 40427 |
| Do (Accum) | 6 | 76.59 | 78.11 | 83.54 | 3.15 | 40428 |
| Service Cos | 6 | 60.28 | 60.81 | 65.03 | 2.45 | 40433 |
| Do (Accum) | 6 | 63.42 | 63.97 | 68.42 | 2.45 | 40434 |
| Income Growth | 6 | 42.19 | 42.62 | 45.58 | 4.36 | 40431 |
| Do (Accum) | 6 | 59.58 | 60.18 | 64.37 | 4.36 | 40432 |
| Higher Yield | 6 | 31.61 | 32.06 | 34.29 | 4.49 | 40429 |
| Do (Accum) | 6 | 39.89 | 40.46 | 43.28 | 4.49 | 40430 |
| American Gth Inc | 6 | 31.18 | 31.32 | 33.49 | 1.51 | 40423 |
| Do (Accum) | 6 | 31.77 | 31.91 | 34.13 | 1.51 | 40424 |

**Commercial Union Tst Mgrs – Contd.**

| Unit Name | Init Chrge | Canc. Price | Bid Price |
|---|---|---|---|
| PPT Japan | 6 | 110.23 | 110.23 |
| PPT UK | 6 | 93.33 | 93.33 |
| PPT North American | 6 | 106.63 | 106.63 |
| PPT Gold & Comdty | 6 | 47.11 | 47.11 |
| PPT S'pore & M'sia | 5 | 76.52 | 76.52 |
| PPT Global Bond | 6 | 61.04 | 61.04 |
| PPT Thai | 6 | 43.78 | 43.78 |
| PPT Cash | 0 | 81.90 | 81.90 |

**Confederation Funds Mngt Ltd (1200)F**
Lytton Way, Stevenage, Herts SG1 2NN

| Unit Name | Init Chrge | Canc. Price | Bid Price |
|---|---|---|---|
| Growth Fund | 6 | 40.59 | 40.59 |
| High Income | 6 | 25.54 | 25.54 |
| Japan | 6 | 25.88 | 25.88 |
| Property Shares | 6 | 22.18 | 22.18 |
| Smaller Cos | 6 | 20.20 | 20.20 |
| Canadian Exempt | 3 | 53.73 | 54.93 |
| European Exempt | 3 | 54.85 | 55.60 |
| Pacific Exempt | 3 | 42.18 | 42.77 |
| US Exempt | 3 | 54.68 | 56.36 |
| North American | 6 | 25.20 | 25.20 |
| European | 6 | 23.37 | 23.37 |

**Consistent Unit Tst Mngt Co Ltd**
1 White Hart Yd, London Bridge SE1 1NX
Consistent UT 5 25.16 25.16

**Co-op Pension Fds UT Mgrs Ltd**
78-80 Cornhill, London EC3V 3NJ
Equity Dist May 31 0 660.2 660.2
Equity Acc May 31 0 1455.4 1455.4

[illegible]

**Maldon Unit Trust Managers Ltd (1400)F**
15 St Botolph St, London EC3A 7EE 071-226 6066
Maldon General 0 112.6 112.6 115.8 5.02 46459

**Manulife Management Ltd (1200)H**
St George's Way, Stevenage Dealings: 071-256 5858

| Unit Name | Init Chrge | Canc. Price | Bid Price | Offer Price | Yield Gr's | City-line |
|---|---|---|---|---|---|---|
| Growth Units | 5¼ | 128.0 | 129.4 | 137.7 | 4.02 | 40905 |
| Gilt & F'xd Int | 5 | 140.3 | 140.3 | 147.6 | 8.75 | 40904 |
| Intl Growth | 5¼ | 150.0 | 151.4 | 161.1 | 0.42 | 40908 |
| North American ♥ | 5¼ | 97.42 | 98.51 | 104.8 | 0.37 | 40910 |
| Far East | 5¼ | 121.5 | 122.5 | 130.3 | 0.36 | 40911 |
| UK Smaller Cos | 5¼ | 102.9 | 102.9 | 109.5 | 3.30 | 40909 |
| European | 5¼ | 53.80 | 53.80 | 57.39 | 1.11 | 40912 |
| Japanese Growth | 5¼ | 37.94 | 37.94 | 40.63 | 0.00 | 47786 |
| Managed P'folio | 5¼ | 48.98 | 49.37 | 52.52 | 1.78 | 47787 |
| High Income | 5¼ | 142.8 | 144.5 | 154.0 | 6.29 | 40906 |
| High Yielding Gilt | 5¼ | 60.67 | 60.67 | 63.95 | 9.43 | 40907 |
| Cash | | 51.06 | 51.06 | 51.06 | 10.25 | 46061 |

| Unit Name | Init Chrge | Canc. Price | Bid Price | Offer Price | Yield Gr's | City-line |
|---|---|---|---|---|---|---|
| American Gwth | 5¼ | 153.7 | 153.7 | 164.2 | 0.93 | 40048 |
| European Gwth | 5¼ | 195.8 | 195.8 | 209.1 | 0.00 | 40049 |
| Intl Gwth | 5¼ | 148.1 | 148.1 | 157.5 | 0.00 | 40050 |
| UK Equity Inc | 5¼ | 113.2 | 113.2 | 121.9 | 6.66 | 40046 |
| UK Equity Acc | 5¼ | 127.5 | 127.5 | 137.3 | 6.66 | 40047 |
| UK Ind Tracker Inc | 5 | 118.3 | 118.3 | 126.4 | 3.95 | 46656 |
| UK Ind Tracker Acc | 5 | 126.4 | 126.4 | 135.1 | 3.95 | 46655 |
| US Eq Ind Tracker Inc | 5 | 146.5 | 146.5 | 157.1 | 2.84 | 46658 |
| US Eq Ind Tracker Acc | 5 | 151.2 | 151.2 | 162.2 | 2.84 | 46657 |
| Japan Tracker | 5 | 63.21 | 63.21 | 67.03 | 0.00 | 46921 |
| Asian Trader | 5¼ | 87.68 | 87.68 | 93.69 | 1.43 | 45109 |
| Managed Inc | 5¼ | 97.02 | 97.02 | 104.3 | 2.04 | 46922 |
| Managed Acc | 5¼ | 98.95 | 98.95 | 106.3 | 2.04 | 46923 |
| Cash Inc | 0 | 100.48 | 100.48 | 100.48 | 11.73 | 46556 |
| Cash Acc | 0 | 108.87 | 108.87 | 108.87 | 11.73 | 46656 |
| Europa | 5¼ | 105.0 | 105.0 | 112.4 | 0.00 | 43122 |

**Geoffrey Morley Unit Mgrs Ltd (1200)F**
3 Bedford Park, Croydon CR0 2AQ 081-686 9818

| Unit Name | Init Chrge | Canc. Price | Bid Price | Offer Price | Yield Gr's | City-line |
|---|---|---|---|---|---|---|
| Exempt Unit Tst | 4 | 114.15 | 114.15 | 121.75 | 2.60 | 43851 |
| Exempt Smllr Cos | 3¼ | 222.44 | 222.44 | 241.10 | 1.40 | 43853 |

## Guide to pricing of Authorised Unit Trusts

*Compiled with the assistance of Lautro §§*

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

| Unit Name | Init Chrge | Canc. Price | Bid Price | Offer Price | Yield Gr's | City-line |
|---|---|---|---|---|---|---|
| **Stewart Ivory Unit Tst Mgrs Ltd (1200)H** | | | | | | |
| 45 Charlotte Sq, Edinburgh 031-226 3271 | | | | | | |
| American ♥ | 5 | 302.1 | 302.1 | 322.1 | 1.33 | 41410 |
| (Accum Units) ♥ | 5 | 353.4 | 353.4 | 376.8 | 1.33 | 41411 |
| British | 5 | 774.6 | 774.6 | 819.5 | 6.06 | 41416 |
| (Accum Units) | 5 | 1240.1 | 1240.1 | 1312.0 | 6.06 | 41417 |
| European | 5 | 323.9 | 323.9 | 347.8 | 1.53 | 41418 |
| (Accum Units) | 5 | 347.2 | 347.2 | 372.8 | 1.53 | 41419 |
| Japan | 5 | 123.3 | 123.3 | 131.0 | — | 41420 |
| (Accum Units) | 5 | 124.2 | 124.2 | 132.0 | — | 41421 |
| New Pacific | 5 | 173.1 | 173.1 | 184.1 | 1.96 | 46365 |
| (Accum Units) | 5 | 177.2 | 177.2 | 188.5 | 1.96 | 47954 |
| PEP June 26 ♦ | 5 | 130.3 | 132.7 | 140.5 | 3.59 | 47988 |
| Mngd Equity | 5 | 120.6 | 122.3 | 129.4 | 3.59 | 47986 |
| Mngd Equity Acc | 5 | 124.8 | 126.5 | 133.9 | 3.59 | 40556 |
| Mngd Cash | 5 | 97.40 | 97.40 | 102.2 | 11.98 | 47986 |
| (Accum Units) | 5 | 112.8 | 112.8 | 118.4 | 11.98 | 40267 |
| Mngd Fund Int Acc June 26 | 5 | 120.3 | 120.3 | 127.3 | 6.56 | 42132 |
| Majority Stlg | 1 | 101.35 | 101.35 | 102.35 | 10.97 | 42703 |
| Majority Stlg Acc | 1 | 104.18 | 104.18 | 105.21 | 10.97 | 46689 |
| **Storebrand Intl Inv Mngrs Ltd (1200)F** | | | | | | |
| Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex | | | | | | |
| Enquiries: 0277 227300 Dealing: 0277 261010 | | | | | | |
| International June 14 | 0 | 51.62 | 51.62 | 51.99 | 3.42 | 46906 |
| **Sun Alliance Unit Tst Mngmt Ltd (1200)F** | | | | | | |
| Sun Alliance House, Horsham 0403 56293 | | | | | | |
| Equity | 6 | 572.2 | 579.8 | 620.1 | 3.54 | 41423 |
| North America | 6 | 79.26 | 80.08 | 85.65 | 1.04 | 41424 |
| Far East | 6 | 96.79 | 97.80 | 104.6 | 0.96 | 41425 |
| W'wide Bond | 6 | 47.59 | 47.72 | 50.77 | 5.90 | 41426 |
| W'wide Fixd (Sasp) | 6 | 36.46 | 36.46 | 38.64 | 9.20 | 41427 |
| W'wide Tech (Sasp) | 6 | 43.41 | 43.41 | 46.00 | 9.20 | 41428 |
| European | 6 | 66.11 | 66.51 | 71.13 | 1.44 | 41429 |
| Equity Income | 6 | 66.22 | 67.17xd | 71.84 | 5.22 | 41430 |
| Portfolio | 6 | 57.38 | 57.94 | 61.97 | 2.40 | 41431 |
| **Sun Life of Canada Unit Mgrs Ltd (1000)H** | | | | | | |
| Basingview, Basingstoke, Hants 0800 525725 | | | | | | |
| American Growth | 6 | 26.49 | 26.49 | 28.34 | 0.40 | 47798 |
| Managed Assets | 6 | 101.36 | 102.03 | 109.13 | 4.00 | 44063 |
| UK Income | 6 | 32.14 | 32.68xd | 34.96 | 4.70 | 41432 |
| UK Growth | 6 | 31.80 | 32.23 | 34.48 | 3.29 | 41433 |
| Worldwide Growth | 6 | 24.23 | 24.23 | 25.92 | 0.81 | 41434 |

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| **Edinburgh Fund Mngrs PLC** | | | | |
| Exempt Funds | | | | |
| American June 28 | 158.6 | 163.0 | 1.53 | 40368 |
| Managed June 28 | 141.8 | 147.1 | 3.91 | 40369 |
| Japan June 28 | 120.1 | 123.4xd | 0.08 | 40370 |
| Sm Jap Cos June 28 | 607.2 | 623.9 | 0.08 | 40372 |
| **Fidelity Investment Services Ltd** | | | | |
| Mngd Pens P'folio | 127.8 | 132.0 | 3.74 | 46885 |
| **Robert Fleming Asset Mngmt Ltd** | | | | |
| Am Exempt | £474.40 | 481.40 | 1.56 | 40456 |
| Gen Exempt | £127.69 | 130.56 | 3.93 | 40457 |
| Jap Exempt | £488.49 | 498.37 | 0.78 | 40458 |
| Pacific Exempt | £102.65 | 104.82 | 3.10 | 46888 |
| Cont'l Euro Exempt | £97.81 | 99.75 | 2.22 | 47674 |
| Indexed Exempt June 27 | £123.05 | 126.11 | 5.16 | 46886 |
| Amer Indxd Expt June 27 | £105.14 | 106.19 | 2.81 | 47673 |
| Japan Indxd Expt June 27 | £66.23 | 67.57 | 0.63 | 47676 |
| Euro Indxd Expt June 27 | £97.28 | 99.24 | 2.84 | 47675 |
| P'sss Indxd Expt June 27 | £100.44 | 102.65 | 2.22 | 46887 |
| **Funds in Court*** | | | | |
| Capital June 19 | 497.29 | 500.94 | 2.45 | 40505 |
| Gross June 19 | 176.58 | 177.97xd | 10.96 | 40506 |
| High Yield June 19 | 290.78 | 293.12 | 7.03 | 40507 |
| * Restricted to monies under Court control | | | | |
| **Henderson Unit Trust Management Ltd** | | | | |
| Pensions Mngd | 51.39 | 52.47 | 3.96 | 40676 |
| **INVESCO MIM Management Ltd** | | | | |
| Exempt Funds | | | | |
| Intl Mngd P'Folio | 1257.0 | 1334.0 | — | 46964 |
| Mngd Pens (Acc) | 67.0 | 71.4 | — | 41007 |
| **Lazard Brothers & Co. Ltd** | | | | |
| Property Jan 3 | £2360.0 | 2675.0 | 6.00 | 40777 |
| Inc Gth Prp Apr 16 | £1325.0 | 1460.0 | 7.20 | 40778 |
| **Lazard Investors Ltd ‡‡** | | | | |
| Exempt Funds | | | | |
| Small Co's June 28 | £3633.4 | 3700.3 | 4.91 | 40766 |

## INSURANCES

## OTHER UK UNIT TRUSTS

**Assicurazioni GENERALI SpA** 071-488 0733

**Legal & General (Unit Pensions) Ltd**
Kingswood House, Kingswood, Tadworth, Surrey 0737 370370

**Merchant Investors Assurance Co Ltd**
Part of the MI Group
91 Wimpole St, London W1M 7DA
Life Administration 0272 266366
Pensions Administration 081-686 9171
Unit Prices 081 789 2945 or 0272 752297

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

### N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| Life Managed Fd | 104.5 | 120.0 | - | 41924 |
| Pension Managed Fd | 100.9 | 106.2 | - | 41926 |
| Life Deposit Fd | 107.7 | 113.3 | - | 41925 |
| Pension Deposit Fd | 113.8 | 128.9 | - | 41925 |

### National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| Life Funds | | | | |
| Managed Cautionary | 111.4 | 117.3 | - | 47150 |
| Managed Growth | 140.7 | 148.2 | - | 47151 |
| Managed Opportunity | 143.5 | 151.1 | - | 47152 |
| NFMC Target Financial | 99.7 | 105.0 | - | 47153 |
| Pension Funds | | | | |
| Managed Cautionary | 121.7 | 128.2 | - | 47154 |
| Managed Growth | 149.0 | 156.9 | - | 47155 |
| Managed Opportunity | 143.8 | 151.4 | - | 47156 |
| NFMC Target Mngd Pen | 1496.6 | 1575.6 | - | 47157 |

### National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| Unexcelled Pension Funds | | | | |
| Managed | 160.6 | 169.1 | - | 43141 |
| UK Equity | 165.3 | 174.1 | - | 43135 |
| Overseas Equity | 140.6 | 148.0 | - | 43136 |
| Fixed Interest | 141.8 | 149.3 | - | 43137 |
| Property | 127.9 | 134.7 | - | 43138 |
| Index Linked | 146.5 | 154.3 | - | 43139 |
| Deposit | 157.5 | 165.8 | - | 43140 |
| With Profits (B) | 129.2 | 136.0 | - | 44128 |

### National Provident Institution
48 Gracechurch St, London EC3P 3HR 071-623 4200

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| Managed | 345.3 | 363.5 | - | 43163 |
| UK Equity | 426.9 | 449.4 | - | 43164 |
| Overseas Eq. | 348.0 | 366.4 | - | 43165 |
| American | 286.9 | 302.1 | - | 43166 |
| Far East | 378.2 | 398.8 | - | 43167 |
| Property | 190.4 | 200.5 | - | 43168 |
| Fixed Int. | 256.5 | 270.0 | - | 43169 |
| Indexed Gilt | 153.7 | 161.8 | - | 43170 |
| Deposit | 182.4 | 192.1 | - | 43171 |
| Pension Fund (Accum Units) | | | | |
| Managed | 491.9 | 517.8 | - | 43173 |
| UK Equity | 569.3 | 599.3 | - | 43175 |

### Property Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| Initial Equity | 147.5 | 155.5 | - | 42995 |
| Accum Equity | 211.0 | 223.0 | - | 43005 |
| Accum Managed | 221.5 | 234.0 | - | 43006 |
| Accum Five Star | 170.0 | 179.5 | - | 43011 |
| Accum World | 125.0 | 130.0 | - | 43013 |
| Accum Lifetime | 108.8 | 108.8 | - | 47139 |
| Pens Acc Equity | 226.5 | 239.0 | - | 43025 |
| Pens Acc Managed | 276.0 | 291.0 | - | 43026 |
| Pens Acc Intl | 213.0 | 225.0 | - | 43027 |
| Pens Acc Deposit | 199.5 | 211.0 | - | 43029 |
| Pens Acc Five Star | 186.5 | 197.0 | - | 43031 |

### Providence Capitol Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| UK Equity Acc | 218.3 | 230.3 | - | 43411 |
| UK Fixed Int Acc | 171.8 | 181.5 | - | 43412 |
| Intl Equities Acc | 178.4 | 188.8 | - | 43413 |
| UK Managed Acc | 170.7 | 180.0 | - | 43414 |
| Property Acc | 224.2 | 236.5 | - | 43415 |
| Money Acc | 129.5 | 136.7 | - | 43416 |
| Special Market Acc | 142.2 | 150.1 | - | 43417 |
| Japan Equity Acc | 106.4 | 112.3 | - | 46760 |
| North American Acc | 110.6 | 116.7 | - | 43419 |
| Pacific Acc | 98.1 | 103.5 | - | 43420 |
| Technology Acc | 124.9 | 131.8 | - | 43421 |
| Nat Resources Acc | 62.4 | 65.9 | - | 43422 |
| European Acc | 102.0 | 107.6 | - | 43424 |
| Residential Prop Acc | 96.2 | 101.5 | - | 43425 |
| Swiss Equities Acc | 34.8 | 36.8 | - | 43426 |
| Hong Kong Acc | 67.4 | 71.2 | - | 43427 |
| UK High Inc Eq Acc | 71.0 | 74.9 | - | 43428 |
| Int Fixed Interest Acc | 57.0 | 60.2 | - | 46406 |
| Int Managed Acc | 57.0 | 60.1 | - | 46407 |
| HIP Managed Acc | 116.3 | 122.6 | - | 46751 |
| HIP Managed II Acc | 99.3 | 104.7 | - | 41928 |
| HIP Managed III Acc | 105.9 | 111.7 | - | 45981 |
| Total Investment Bond | | | | |
| UK Equity Initial | | 148.6 | - | 43429 |
| UK Fixed Int Initial | | 117.1 | - | 43430 |
| Intl Equities Initial | | 121.1 | - | 43431 |
| UK Managed Initial | | 116.4 | - | 43432 |
| Property Initial | | 153.9 | - | 43433 |
| Money Initial | | 88.8 | - | 43434 |
| Special Market Initial | | 110.6 | - | 43435 |
| Japan Equity Initial | | 82.8 | - | 46762 |
| North American Initial | | 85.9 | - | 43437 |
| Pacific Initial | | 76.3 | - | 43438 |
| Technology Initial | | 97.1 | - | 43439 |
| Nat. Resources Initial | | 48.5 | - | 43440 |
| European Initial | | 91.5 | - | 43442 |
| Residential Prop Init | | 92.0 | - | 43443 |

## OFFSHORE INSURANCES

## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

### CANADA (SIB RECOGNISED)

### GUERNSEY (SIB RECOGNISED)

### GUERNSEY (REGULATED)

## MANAGEMENT SERVICES

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| **U.S. Treasury Securities Fund Ltd** | | | | |
| Short Term Shares | $768.33 | | – | 45903 |
| Fixed Income Shares | $988 15 | | – | 45904 |
| **Yamaichi Capital Mangmt (Guernsey) Ltd** | | | | |
| Japan Mete Growth | $10.14 | | – | 46000 |
| Yamaichi LSS Fund | $7 59 | | – | 46591 |
| Yamaichi CB Plus Fund | $8 06 | | – | 47335 |
| Thai Inv Fund | $10.30 | | – | 46493 |
| Yamaichi OTC Equity (z) | $9.71 | | – | 47326 |

## IRELAND (SIB RECOGNISED)

| Unit Name | Init Chrge | Canc. Price | Bid Price | Offer Price | Yield Gr's | City-line |
|---|---|---|---|---|---|---|
| **GAM Fund Management Ltd (a)** | | | | | | |
| 29 Kildare Street, Dublin | | | | | | 010 353 1760 630 |
| GAM General US Dlr Acc | $– | | 108.73 | | – | 40337 |
| GAM General US Dlr Inc | $– | | 108.73 | | – | 40340 |
| GAM General DM Acc | DM– | | 119 67 | | – | 40341 |
| GAM General DM Inc | DM– | | 119 67 | | – | 40342 |
| **MI Global Asset Mngmt Co Ltd "MI Trusts"** | | | | | | |
| MI Global Dollar | $– | 0 97 | 1.03 | | – | 43441 |

## IRELAND (REGULATED)(**)

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| **Bank of Ireland Unit Managers Ltd** | | | | |
| Global Scap | $9.35 | 9 64 | – | 43795 |
| European Bond | [illegible] | [illegible] | – | 45532 |
| Investor Portfolio | | | | |
| EquityAmerica | $11.72 | 12.44 | – | 46343 |

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)(**)

## JERSEY (SIB RECOGNISED)

## JERSEY (REGULATED)(**)

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| **Target International Fountain Fund** | | | | |
| Global Managed | SFr2.65 | | – | 46572 |
| U.K | SFr2.25 | | – | 46573 |
| Japan | SFr2.21 | | – | 46574 |
| Gold Shares | SFr1 29 | | – | 46575 |
| North American | SFr2.70 | | – | 46576 |
| Multicurrency Bond | SFr2.94 | | – | 46577 |
| North European | DM3.32 | | – | 47365 |
| Orient | SFr2.92 | | – | 47936 |
| **Target International Ltd** | | | | |
| Intl Growth Fd | $20.85 | 22.0052 | – | 45840 |
| **Templeton Worldwide Investments** | | | | |

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| **GT Management Plc** | | | | |
| GT Applied Science | $9 98 | | – | 45032 |
| GT ASEAN Fd (z) | $46.37 | | 0 60 | 45033 |
| GT Asia Fd(z) | $18 90 | | – | 45034 |
| GT Asia Sterling(z) | £17 53 | | 0 06 | 45035 |
| GT Australia Fd(z) | $24 65 | | 1 01 | 45036 |
| GT Aust Small Cos | $10 67 | | – | 46468 |
| GT Berry Japan Fd (z) | $28 75 | | 0 82 | 45037 |
| GT Berry Jap Stlg(z) | £19 44 | | 0.38 | 45038 |
| GT Biotech Hlth Fd (z) | $17.30 | | – | 45039 |
| GT Bond Fund (z) | $15.97 | | 8.14 | 45040 |
| GT Deutschland Fd (z) | $11.89 | | – | 45041 |
| GT Dollar Fd. (z) | $20 41 | | 0 77 | 45042 |
| GT Emerging Mkts | $10 04 | | – | 43797 |
| **Morgan Stanley Japanese Warrant Fund NV** | | | | |
| NAV | $7.7782 | | – | 42142 |
| **The New Zealand Fund** | | | | |
| Manager: Leadenhall Offshore Ltd | | | | |
| The NZ Fund | $5 77 | | 6.18 | 45550 |
| **Newport International Management** | | | | |
| Npt. Intl Securities | $41 24 | | – | 45555 |
| Npt. Intl. Inc. Fd. | $19.37 | | – | 45556 |
| Npt. Pacific | $28 83 | | – | 45557 |
| **Nomura Warrant Fund 1990 Ltd** | | | | |
| NAV | $1.76 | | – | 43801 |
| **North Star Fund Managers (Cayman) Ltd** | | | | |

# CURRENCIES, MONEY AND CAPITAL MARKETS

## MONEY MARKETS

# Pound and rate cuts

Sterling has fallen from third strongest to third weakest member of the European exchange rate mechanism in the last month, but thanks to an accompanying decline in the value of the Spanish peseta it can be argued that there is still ample room to cut UK bank base rates.

**UK clearing bank base lending rate 11.5 per cent from May 24, 1991**

Until recently the strength of the peseta was putting pressure on the weaker members of the ERM, particularly the French franc, possibly preventing a reduction in French rates, and leading to some friction between Paris and Madrid.

There was also the threat that the declining pound would at some point leave the UK authorities facing similar problems, but this danger has diminished.

Now that the peseta has come down from its ceiling countries hoping to cut rates can concentrate on the values of their respective currencies against the D-Mark, rather than the peseta. The Spanish currency remains well above all other members of the ERM, but Mr Mariano Rubio, governor of the Bank of Spain, has made it clear that he would like to see the peseta move closer to its central rate.

Sterling has a theoretical floor of DM2.7780 against the D-Mark and is at present trading about 15 pfennigs above that level, but because the peseta has been so strong the pound will hit its lowest permitted level of Pta 180.59 against the peseta before it reaches DM2.7780. Even at present values sterling cannot go below about DM2.87 without hitting its peseta floor, but as the Spanish currency comes down the pound will be able to move lower against the D-Mark without breaching its agreed trading range.

This should enable the UK authorities to cut base rates as inflation falls without having to worry too much about the ERM.

## £ IN NEW YORK

| June 28 | Close | Previous Close |
|---|---|---|
| £ Spot | 1.6215-1.6225 | 1.6325-1.6335 |
| 1 month | 0.76-0.74pm | 0.76-0.74pm |
| 3 months | 3.48-3.43pm | 2.02-1.99pm |
| 12 months | 5.72-5.62pm | 5.72-5.62pm |

Forward premiums and discounts apply to the US dollar

## STERLING INDEX

| | June 28 | Previous |
|---|---|---|
| 8.30 am | 89.7 | 89.6 |
| 9.00 am | 89.7 | 89.6 |
| 10.00 am | 89.7 | 89.7 |
| 11.00 am | 89.6 | 89.7 |
| Noon | 89.6 | 89.7 |
| 1.00 pm | 89.6 | 89.6 |
| 2.00 pm | 89.6 | 89.7 |

## CURRENCY MOVEMENTS

| Jun 28 | Bank of England Index | Morgan** Guaranty Changes % |
|---|---|---|
| Sterling | 89.5 | -21.5 |
| U.S Dollar | 68.0 | -10.9 |
| Canadian Dollar | 107.2 | +3.8 |
| Austrian Schilling | 108.0 | +10.9 |
| Belgian Franc | 109.5 | -3.1 |
| Danish Krone | 106.9 | +2.0 |
| D-Mark | 115.3 | +22.7 |
| Swiss Franc | 109.7 | +18.5 |
| Dutch Guilder | 112.1 | +14.8 |
| French Franc | 102.2 | -14.0 |
| Lira | 97.8 | -20.3 |
| Yen | 139.9 | +70.2 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Jun 27

## POUND SPOT - FORWARD AGAINST THE POUND

## DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

## EXCHANGE CROSS RATES

| June 28 | £ | $ | DM | Yen | F Fr. | S Fr. | H Fl. | Lira | C$ | B Fr. | ECU |
|---|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1 | 1.619 | 2.938 | 223.3 | 9.953 | 2.523 | 3.308 | 2183 | 1.850 | 60.40 | 1.423 |
| $ | 0.618 | 1 | 1.815 | 137.9 | 6.148 | 1.558 | 2.043 | 1348 | 1.143 | 37.31 | 0.879 |
| DM | 0.340 | 0.551 | 1 | 76.00 | 3.388 | 0.859 | 1.126 | 743.0 | 0.630 | 20.56 | 0.484 |
| YEN | 4.478 | 7.250 | 13.16 | 1000. | 44.57 | 11.30 | 14.81 | 9776 | 8.285 | 270.5 | 6.373 |
| F Fr. | 1.005 | 1.627 | 2.952 | 224.4 | 10. | 2.535 | 3.324 | 2193 | 1.859 | 60.69 | 1.430 |
| S Fr. | 0.396 | 0.642 | 1.164 | 88.51 | 3.945 | 1 | 1.311 | 865.2 | 0.733 | 23.94 | 0.564 |
| H Fl. | 0.302 | 0.489 | 0.888 | 67.50 | 3.009 | 0.763 | 1 | 659.9 | 0.559 | 18.26 | 0.430 |
| Lira | 0.458 | 0.742 | 1.346 | 102.3 | 4.559 | 1.156 | 1.515 | 1000. | 0.847 | 27.67 | 0.652 |
| C$ | 0.541 | 0.875 | 1.588 | 120.7 | 5.380 | 1.364 | 1.788 | 1180 | 1 | 32.65 | 0.769 |
| B Fr. | 1.656 | 2.680 | 4.864 | 369.7 | 16.48 | 4.177 | 5.477 | 3614 | 3.063 | 100. | 2.356 |
| ECU | 0.703 | 1.138 | 2.065 | 156.9 | 6.994 | 1.773 | 2.325 | 1534 | 1.300 | 42.45 | 1 |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

## EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 7¹³⁄₁₆-7⁹⁄₁₆ per cent; three years 8¹⁄₈-8 per cent; four years 8³⁄₈-8¹⁄₄ per cent; five years 8⁵⁄₈-8¹⁄₂ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

## FT LONDON INTERBANK FIXING

| (11.00 a.m. Jun 28) 3 months US dollars | | 6 months US Dollars | |
|---|---|---|---|
| bid 6⁷⁄₁₆ | offer 6⁹⁄₁₆ | bid 6⁷⁄₁₆ | offer 6⁹⁄₁₆ |

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

## MONEY RATES

### NEW YORK

4pm

| | | Treasury Bills and Bonds | | | |
|---|---|---|---|---|---|
| Prime rate | 8½ | One month | 5.40 | Three year | 7.28 |
| Broker loan rate | 7¾ | Two month | 5.85 | Four year | 7.48 |
| Fed. funds | 5¾ | Three month | 5.69 | Five year | 7.87 |
| Fed. funds at intervention | 5¾ | Six month | 5.93 | Seven year | 8.12 |
| | | One year | 6.30 | 10-year | 8.24 |
| | | Two year | 6.90 | 30-year | 8.42 |

## LONDON MONEY RATES

## OTHER CURRENCIES

## CURRENCY RATES

## CHICAGO

## LONDON RECENT ISSUES

## FIXED INTEREST STOCKS

## RIGHTS OFFERS

## BANK OF ENGLAND TREASURY BILL TENDER

## WEEKLY CHANGE IN WORLD INTEREST RATES

# MONEY MARKET FUNDS

## Money Market Trust Funds

## Money Market Bank Accounts

NOTES— Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

## FINANCIAL TIMES STOCK INDICES

| | June 28 | June 27 | June 26 | June 25 | June 24 | June 21 | 1991 High | 1991 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs. | 83.60 | 83.43 | 83.45 | 83.54 | 83.66 | 83.79 | 85.88 | 82.17 | 127.4 | 49.18 |
| Fixed Interest | 92.95 | 92.81 | 92.80 | 92.82 | 92.82 | 92.86 | 94.84 | 90.59 | 105.4 | 50.53 |
| Ordinary | 1877.9 | 1912.0 | 1901.5 | 1921.6 | 1921.1 | 1947.3 | 2014.5 | 1606.3 | 2014.5 | 49.4 |
| Gold Mines | 206.9 | 197.5 | 198.2 | 195.6 | 200.7 | 203.9 | 209.1 | 127.0 | 734.7 | 43.5 |
| FT-Act All Share | 1161.19 | 1176.68 | 1170.72 | 1182.36 | 1182.63 | 1195.23 | 1232.32 | 987.46 | 1238.57 | 61.92 |
| FT-SE 100 | 2414.8 | 2452.5 | 2437.3 | 2461.2 | 2458.3 | 2487.5 | 2545.3 | 2054.8 | 2545.3 | 136.9 |
| FT-SE Eurotrack 100 | 1106.47 | 1116.92 | 1114.79 | 1128.57 | 1126.07 | 1141.29 | 1165.54 | 900.45 | 1165.54 | 900.45 |
| FT-SE Eurotrack 200 | 1136.32 | 1147.11 | 1142.01 | 1156.66 | 1155.32 | 1169.66 | 1192.11 | 938.62 | 1192.11 | 938.62 |

# LONDON SHARE SERVICE

## BRITISH FUNDS

## BRITISH FUNDS—Contd

## INT. BANK AND O'SEAS

## CORPORATION LOANS

## COMMONWEALTH & AFRICAN LOANS

## LOANS

## FOREIGN BONDS & RAILS

Continued on next page

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | FRIDAY JUNE 28 1991 US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | THURSDAY JUNE 27 1991 US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX 1991 High | 1991 Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (70) | 140.58 | +0.6 | 128.74 | 122.54 | 132.62 | 121.69 | +0.5 | 5.29 | 139.72 | 126.86 | 121.83 | 130.32 | 121.05 | 147.30 | 112.74 | 141.52 |
| Austria (20) | 175.55 | -3.6 | 160.76 | 153.03 | 165.61 | 165.31 | -2.6 | 1.65 | 182.20 | 165.41 | 159.00 | 169.94 | 169.65 | 222.37 | 167.00 | 256.30 |
| Belgium (49) | 125.43 | -0.9 | 114.86 | 109.33 | 118.32 | 115.38 | +0.1 | 5.11 | 126.55 | 114.89 | 110.42 | 118.03 | 115.31 | 151.20 | 121.73 | 150.83 |
| Canada (115) | 138.47 | -0.4 | 126.81 | 120.70 | 130.62 | 114.51 | -0.5 | 3.40 | 139.07 | 126.26 | 121.35 | 129.70 | 115.05 | 142.27 | 126.49 | 137.52 |
| Denmark (37) | 237.57 | -1.1 | 217.55 | 207.09 | 224.11 | 225.61 | -0.3 | 1.56 | 240.11 | 218.00 | 209.53 | 223.95 | 226.40 | 270.58 | 217.74 | 257.71 |
| Finland (16) | 96.30 | -2.8 | 88.18 | 83.94 | 90.84 | 86.51 | -2.1 | 2.82 | 99.03 | 89.91 | 86.42 | 92.37 | 88.38 | 125.15 | 90.61 | 135.00 |
| France (114) | 124.33 | -1.9 | 113.86 | 108.37 | 117.28 | 119.89 | -0.9 | 3.69 | 126.72 | 115.05 | 110.57 | 118.18 | 121.00 | 152.26 | 121.85 | 160.62 |
| Germany (65) | 103.98 | -3.9 | 95.21 | 90.65 | 98.08 | 98.08 | -2.8 | 2.28 | 108.16 | 98.20 | 94.40 | 100.88 | 100.88 | 125.35 | 102.43 | 133.59 |
| Hong Kong (55) | 152.71 | +0.6 | 139.84 | 133.11 | 144.06 | 152.24 | +0.9 | 5.09 | 151.81 | 137.83 | 132.47 | 141.60 | 150.89 | 161.77 | 119.62 | 135.61 |
| Ireland (18) | 142.95 | -0.7 | 130.91 | 124.61 | 134.85 | 136.61 | +0.4 | 3.74 | 143.92 | 130.66 | 125.59 | 134.23 | 136.01 | 182.46 | 132.88 | 189.21 |
| Italy (77) | 74.09 | -0.9 | 67.85 | 64.58 | 69.89 | 74.58 | -0.1 | 3.14 | 74.75 | 67.87 | 65.23 | 69.72 | 74.69 | 88.23 | 72.05 | 108.16 |
| Japan (474) | 128.42 | -0.6 | 117.60 | 111.94 | 121.16 | 111.94 | -0.7 | 0.75 | 129.23 | 117.33 | 112.77 | 120.55 | 112.77 | 146.97 | 118.35 | 147.27 |
| Malaysia (68) | 233.38 | -0.9 | 213.71 | 203.42 | 220.15 | 250.41 | -0.7 | 2.60 | 235.57 | 213.87 | 205.58 | 219.71 | 252.17 | 247.78 | 192.83 | 229.85 |
| Mexico (15) | 986.62 | +1.7 | 903.49 | 860.09 | 930.73 | 3252.88 | +1.5 | 1.98 | 970.44 | 881.05 | 846.84 | 905.12 | 3204.29 | 1079.72 | 534.45 | 495.74 |
| Netherland (31) | 131.46 | -1.1 | 120.39 | 114.59 | 124.02 | 122.55 | -0.2 | 4.37 | 132.93 | 120.68 | 115.99 | 123.98 | 122.76 | 145.73 | 125.70 | 141.83 |
| New Zealand (13) | 47.68 | +0.5 | 43.67 | 41.57 | 44.99 | 43.92 | +0.6 | 8.00 | 47.45 | 43.08 | 41.41 | 44.26 | 43.64 | 54.64 | 41.18 | 64.95 |
| Norway (32) | 186.90 | -2.0 | 171.15 | 162.92 | 176.32 | 178.97 | -1.0 | 1.64 | 190.66 | 173.09 | 166.38 | 177.83 | 180.82 | 223.24 | 182.24 | 235.27 |
| Singapore (38) | 192.14 | -1.5 | 175.95 | 167.49 | 181.25 | 156.63 | -1.1 | 2.16 | 195.08 | 177.11 | 170.24 | 181.95 | 158.40 | 208.25 | 151.63 | 200.36 |
| South Africa (61) | 227.71 | +0.4 | 208.52 | 198.49 | 214.80 | 165.09 | +0.4 | 3.32 | 226.79 | 205.90 | 197.90 | 211.52 | 164.42 | 236.46 | 173.00 | 176.90 |
| Spain (55) | 145.27 | -2.4 | 133.03 | 126.64 | 137.04 | 125.02 | -1.4 | 4.26 | 148.79 | 135.08 | 129.84 | 138.77 | 126.75 | 171.12 | 131.51 | 170.94 |
| Sweden (26) | 186.57 | -0.8 | 170.85 | 162.64 | 176.01 | 180.96 | +0.3 | 2.45 | 188.13 | 170.80 | 164.17 | 175.47 | 180.40 | 204.12 | 146.60 | 224.83 |
| Switzerland (58) | 87.39 | -1.1 | 80.02 | 76.18 | 82.45 | 84.41 | -0.5 | 2.26 | 88.33 | 80.19 | 77.06 | 82.39 | 84.62 | 100.67 | 82.17 | 105.11 |
| United Kingdom (239) | 156.33 | -2.3 | 143.16 | 136.26 | 147.46 | 143.16 | -1.4 | 5.13 | 159.97 | 145.24 | 139.59 | 149.19 | 145.24 | 187.44 | 156.27 | 167.75 |
| USA (525) | 150.13 | -0.8 | 137.48 | 130.88 | 141.64 | 150.13 | -0.8 | 3.23 | 151.38 | 137.43 | 132.10 | 141.20 | 151.38 | 158.24 | 125.95 | 144.68 |
| Europe (837) | 128.26 | -2.2 | 117.45 | 111.80 | 121.00 | 119.48 | -1.3 | 3.98 | 131.08 | 119.01 | 114.39 | 122.26 | 121.00 | 151.52 | 125.50 | 150.95 |
| Nordic (111) | 178.38 | -1.1 | 163.35 | 155.49 | 168.28 | 164.50 | -0.2 | 1.98 | 180.41 | 163.79 | 157.43 | 168.27 | 164.83 | 200.81 | 155.55 | 209.55 |
| Pacific Basin (718) | 129.41 | -0.5 | 118.51 | 112.81 | 122.08 | 113.33 | -0.6 | 1.12 | 130.12 | 118.14 | 113.55 | 121.37 | 114.06 | 145.92 | 117.86 | 146.52 |
| Euro-Pacific (1555) | 129.28 | -1.2 | 118.39 | 112.68 | 121.95 | 116.61 | -0.9 | 2.25 | 130.83 | 118.78 | 114.16 | 122.02 | 117.65 | 147.68 | 121.29 | 148.71 |
| North America (640) | 149.32 | -0.8 | 136.74 | 130.16 | 140.89 | 147.74 | -0.8 | 3.24 | 150.53 | 136.66 | 131.37 | 140.42 | 148.93 | 157.04 | 125.91 | 144.15 |
| Europe Ex. UK (598) | 111.00 | -2.1 | 101.65 | 96.78 | 104.74 | 105.58 | -1.1 | 3.18 | 113.35 | 102.91 | 98.93 | 105.74 | 106.79 | 129.80 | 106.85 | 139.32 |
| Pacific Ex. Japan (244) | 139.02 | +0.2 | 127.31 | 121.20 | 131.16 | 125.00 | +0.3 | 4.66 | 138.76 | 125.98 | 121.10 | 129.43 | 124.59 | 145.66 | 111.40 | 136.84 |
| World Ex. US (1746) | 131.09 | -1.1 | 120.05 | 114.28 | 123.67 | 117.82 | -0.8 | 2.31 | 132.57 | 120.36 | 115.70 | 123.66 | 118.80 | 148.16 | 122.32 | 148.82 |
| World Ex. UK (2032) | 134.61 | -0.9 | 123.27 | 117.34 | 127.00 | 126.35 | -0.8 | 2.38 | 135.79 | 123.28 | 118.50 | 126.66 | 127.33 | 145.77 | 120.06 | 144.12 |
| World Ex. So. Af. (2210) | 135.94 | -1.0 | 124.49 | 118.51 | 128.25 | 127.67 | -0.8 | 2.64 | 137.35 | 124.70 | 119.87 | 128.12 | 128.76 | 148.66 | 122.92 | 146.03 |
| World Ex. Japan (1797) | 142.12 | -1.2 | 130.15 | 123.90 | 134.09 | 136.68 | -0.9 | 3.56 | 143.84 | 130.59 | 125.53 | 134.18 | 137.89 | 152.83 | 126.69 | 147.13 |
| The World Index (2271) | 136.54 | -1.0 | 125.03 | 119.02 | 128.81 | 127.99 | -0.8 | 2.65 | 137.92 | 125.22 | 120.36 | 128.65 | 129.06 | 149.01 | 123.28 | 146.21 |

# LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 45p per minute peak and 34p off peak, inc VAT

## AMERICANS

| Market Cap. £m | Stock | Price £ | Week % change | Y'ld Gr's | Last xd | Dividends Paid | City-line |
|---|---|---|---|---|---|---|---|
| 13,884.1 | Abbott Laboratories | 32¼ | 1.6 | 1.8 | 10.4 | Fb My Ag Nv | 1503 |
| 156.4 | Allegheny & W 1c | 301p | -1.0 | 5.9 | – | – | – |
| 964.4 | Amdahl 5c | 872p | -9.1 | 0.7 | 31.1 | Mr Ju Ag | – |
| 3,716.9 | Amer. Cyanamid $5 | 39¼ | -0.6 | 2.2 | 27.2 | Mr Ju Se De | – |
| 6,627.9 | Amer. Express 60c | 14⅛ | -2.2 | 3.9 | 31.12 | Fb My Ag Nv | 1594 |
| 26,198.1 | American T. & T. $1 | 23⅞ | 3.2 | 3.3 | 27.3 | Fb My Ag Nv | 1597 |
| 15,901.6 | Ameritech $1 | 36½ | 5.8 | 5.3 | 28.3 | Fb My Ag Nv | – |
| 4,862.1 | BankAmerica $1⅓ | 22⅞ | -2.8 | 3.1 | 16.5 | Fe My Sp De | 1744 |
| 2,451.8 | Bankers N Y. $1 | 38⅛ | -7.3 | 9.5 | 27.9 | Ap Jy Oc Jan | 1745 |
| 11,428.7 | Bell Atlantic $1 | 29¼ | 5.0 | 5.1 | 4.7 | Fe My Au No | – |
| 14,538.9 | BellSouth Corp. | 30¼ | 5.2 | 5.4 | 5.4 | Fe My Au No | – |
| 788.1 | Bethlehem Steel $8 | 10⅜ | ....... | 2.3 | 6.2 | Mar Jun S D | 1821 |
| 617.2 | Bowater Inc | 1722p | -3.3 | 4.1 | 6.6 | Oc Ja Ap Jy | 1884 |
| 794.4 | Brunswick 75c | 9 | 0.7 | 2.9 | 7.5 | F My Au N | 1989 |
| 3,998.3 | CPC Intnl. 25c | 53 | 0.6 | 2.2 | 26.6 | Jan Ap Jy Oct | 2263 |
| 129.8 | California Engy. | 713p | -0.6 | – | – | – | – |
| 5,728.3 | Campbell Soup 15c | 45¼ | 0.4 | 1.5 | 4.1 | Oc Ja Ap Jy | 2050 |
| 1,388.5 | Chase Manhattan $12½ | 10⅝ | -8.6 | 6.6 | 26.4 | Fb My Ag Nv | 2109 |
| 1,995.1 | Chrysler $6¼ | 8¼ | 5.2 | 4.0 | 19.6 | Apr Jul S D | 2135 |
| 3,025.6 | Citicorp $1 | 9 | -8.9 | 6.6 | 23.10 | My Au N F | 2141 |
| 3,033.5 | Colgate-Palmolive $1 | 22⅞ | -2.7 | 2.7 | 17.5 | F My Au N | 2184 |
| 709.4 | Cont'l Bank Corp $4 | 702p | -12.0 | 8.4 | 31.5 | Dc Mr Ju Sp | – |
| 840.8 | Dana Corp. $1 | 20¼ | ....... | 4.6 | 28.5 | Mr Jn Sp De | 2306 |
| 261.9 | Data General | 949p | 3.2 | – | – | – | – |
| 850.7 | Dial Crop. $1.5 | 21⅛ | -1.1 | 3.8 | 28.5 | Ja Ap Jy Oc | 2778 |
| 5,272.3 | Dun & Bradstreet $1 | 29½ | 1.3 | 4.3 | 13.2 | Mr Jn Sp Dc | – |
| 1,290.3 | Eaton Corpn. 50c | 38 | -1.3 | – | 2.2 | – | 2410 |
| 453.5 | Echlin Inc | 8¼ | 1.6 | 5.1 | 2.4 | Jan Apr Jly Oct | 3046 |
| 3,811.8 | FPL Group 1c | 18⅝ | 1.0 | 7.6 | 28.5 | Mar Jun Sep Dec | – |
| 2,351.9 | Fluor Corp 62½pc | 29¼ | 4.5 | 0.6 | 21.6 | Ja Ap Jy Oc | 2609 |
| 10,500.8 | Ford Motor $1 | 22⅝ | 0.6 | 2.6 | 29.4 | Mr Je S D | 2615 |
| 40,007.7 | Gen. Elect. 63c | 46 | 1.1 | 2.6 | 3.6 | Ja Ap Jy Oc | 2675 |
| – | General Hosp Corp $1 | 501p | -2.9 | 4.0 | 13.12 | – | – |
| 4,983.6 | Gillette $1 | 21⅛ | -3.4 | 1.7 | 24.5 | Mar Jun Sep Dec | 2695 |
| 10.2 | Gt American Bank $1 | 31p | -11.4 | – | 28.10 | – | – |
| 980.6 | Hasbro Inc 50c | 17⅛ | ....... | 0.8 | 1.8 | Jan Apr Jly Oct | – |

## BUILDING, TIMBER, ROADS – Contd

## DRAPERY AND STORES – Contd

## ENGINEERING

## INDUSTRIALS (Miscel.) – Contd

## INDUSTRIALS (Miscel.) – Contd.

## CANADIANS

## ELECTRICALS

## BANKS, HP & LEASING

### Hire Purchase, Leasing, etc.

## CHEMICALS, PLASTICS

## FOOD, GROCERIES, ETC

## BEERS, WINES & SPIRITS

## DRAPERY AND STORES

## HOTELS AND CATERERS

## INSURANCES

## BUILDING, TIMBER, ROADS

## ELECTRICITY

For Scott. Hydro-Electric and Scottish Power see EQUITIES under LONDON RECENT ISSUES

## INDUSTRIALS (Miscel.)

# LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 45p per minute peak and 34p off peak, inc VAT

## LEISURE

[illegible]

## MOTORS, AIRCRAFT TRADES

### Commercial Vehicles

[illegible]

### Components

[illegible]

### Garages and Distributors

[illegible]

## NEWSPAPERS, PUBLISHERS

[illegible]

## PAPER, PRINTING, ADVERTISING

[illegible]

## PROPERTY

[illegible]

## SHOES AND LEATHER

[illegible]

## SOUTH AFRICANS

[illegible]

## TEXTILES

[illegible]

## TOBACCOS

[illegible]

## TRANSPORT

[illegible]

## TRANSPORT – Contd

[illegible]

## INVESTMENT TRUSTS

[illegible]

## INVESTMENT TRUSTS – Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

## FINANCE, LAND, ETC

[illegible]

## WATER

[illegible]

## OIL AND GAS

[illegible]

## PLANTATIONS

### Rubbers, Palm Oil

[illegible]

### Teas

[illegible]

## MINES

### Central Rand

[illegible]

### Eastern Rand

[illegible]

### Far West Rand

[illegible]

### O.F.S.

[illegible]

### Diamond and Platinum

[illegible]

### Central African

[illegible]

### Finance

[illegible]

### Australians

[illegible]

## MINES – Contd

[illegible]

### Tins

[illegible]

### Miscellaneous

| Market Cap. £m | Stock | Price | Week % change | Y'ld Gr's | Last xd | Dividends Paid | City-line |
|---|---|---|---|---|---|---|---|
| 8.83 | Northgate Expl. C$1 | 78 | -6.7 | - | 10.77 | - | - |
| 2.36 | North West Exp. | 7 | ....... | - | - | - | - |
| 59.4 | Nor-Quest Res. | 108 | 0.9 | - | - | - | - |
| - | Oryx Gold Hldgs. | 173 | -8.0 | - | - | - | 3686 |
| 0.97 | Owaca Gold IR 2p | 14 | -12.5 | - | - | - | 1470 |
| 5.05 | Plateau Mining 20p | 27 | ....... | - | - | - | 3407 |
| 5,460.4 | RTZ 10p | 551 | -2.1 | 4.7 | 2.4 | Dec Jul | 3880 |
| - | Thorco Res. Inc. | 7 | ....... | - | - | - | - |
| 2.67 | Wizaya Hldgs 5p | 5 | ....... | - | - | - | 4193 |
| 11.5 | Young Group 10p | 129 | -1.6 | 5.6 | 2.4 | May Oct | 5080 |

### NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

● "Tap Stock"
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Not officially listed.
# Price at time of suspension
‡ Not comparable
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
★ Cover does not allow for shares which may also rank for dividend at a future date.
‡ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | | |
|---|---|---|---|
| Craig & Rose £1 β | 655 | ....... | |
| Finlay Pkg. 5p β | 27 | ....... | |
| Holt (Jos) 25p β | 1928 | 5.6 | |
| Helton Hldgs. γ | 43 | 7.5 | |

### IRISH

| | | |
|---|---|---|
| Cap. 8½% Ln. 1991 | £99¼ | ....... |
| 9pc Cap Ln. 1996 | £97¾ | -0.8 |
| Fin. 13% 97/02 | £114¼ | -0.7 |
| Arnotts | 155 | -3.1 |
| IRG | 128½xd | ....... |
| United Drug | 170xd | -2.9 |

## TRADITIONAL OPTIONS

3-month call rates

### Industrials

| | p |
|---|---|
| Allied-Lyons | 46 |
| Amstrad | 7 |
| Astec (BSR) | 6 |
| BAT | 60 |
| BOC Grp. | 31 |
| BTR | 33 |
| Barclays | 38 |
| Blue Circle | 24 |
| Boots | 30 |
| Bowaters | 53 |
| Brit Aerospace | 56 |
| British Steel | 12 |
| Brit. Telecom | 29 |
| Cadburys | 33 |
| Charter Cons. | 45 |
| Comm Union | 44 |
| Courtaulds | 32 |
| Eurotunnel | 50 |
| FKI | 6 |
| FNFC | 20 |
| Gen Accident | 48 |
| GEC | 17 |
| Glaxo | 88 |
| Grand Met. | 62 |
| Guardian | 19 |
| GKN | 31 |
| Hanson | 19 |
| Hawker Sidd. | 39 |
| ICI | 80 |
| Ladbroke | 22 |
| Legal & Gen. | 36 |
| Lex Service | 20 |
| Lloyds Bank | 30 |
| Lucas Inds. | 13 |
| Marks & Spencer | 21 |
| Midland Bk. | 18 |
| Nat West Bk. | 27 |
| P & O Dfd. | 51 |
| Racal Elect. | 18 |
| RHM | 28 |
| Rank Org Ord. | 63 |
| Ratners | 17 |
| Reed Intnl | 36 |
| Sears | 8½ |
| SmKl. Beecham A | 58 |
| TI | 45 |
| TSB | 12 |
| Tesco | 21 |
| Thorn EMI | 64 |
| Trust Houses | 23 |
| T&N | 15 |
| Unilever | 68 |
| Vickers | 19 |
| Wellcome | 46 |

### Property

| | |
|---|---|
| Brit Land | 30 |
| Control Secs. | 3 |
| Land Securities | 45 |
| MEPC | 48 |
| Mountleigh | 8½ |

### Oils

| | |
|---|---|
| Aviva Petim. | 3 |
| Brit Petroleum | 28 |
| Burmah Castrol | 49 |
| Conroy Petim. | 10 |
| Gaelic Res. | 1 |
| Premier | 6 |
| Shell | 41 |
| Tuskar Res. | 2 |
| Ultramar | 38 |

### Mines

| | |
|---|---|
| Lonrho | 21 |
| RTZ | 48 |

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

## FT Share Service

The following changes have been made to the *FT Share Information Service*:

**Deletions:** Amalgamated Fin. Invs. (Section: Trusts, Finance, Land).
Century Oils (Oil & Gas).
City & Westminster (Trusts, Finance, Land).
Egerton Trust (Property).
Food Inds. (Foods).
Process Systems (Electricals).
Ramar Textiles (Stores).
Utd. Biscuits Warrants (Foods).

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

*4:00 pm prices June 28*

| 1991 High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 16 7/8 | 9 1/4 | AAR Corp | 0.48 | 0.03 | 16 | 461 | 15 1/2 | 13 7/8 | 15 1/2 | +1 1/2 |
| 18 3/4 | 14 1/2 | A L Labs A | 0.16 | 0.01 | 16 | 308 | 15 7/8 | 15 | 15 | -7/8 |
| 55 1/2 | 40 7/8 | AMP Inc | 1.44 | 0.03 | 19 | 1937 | 50 1/2 | 49 5/8 | 49 3/4 | -1/4 |
| 68 5/8 | 44 1/4 | AMR | | | | 184709 | 60 7/8 | 59 5/8 | 60 3/4 | +1/4 |
| 2 5/8 | 1 1/4 | ARX | | | 1 | 276 | 1 3/8 | 1 3/8 | 1 3/8 | -1/4 |
| 61 3/8 | 41 1/2 | ASA | 3.50 | 0.07 | | 152146 | u52 7/8 | 51 3/4 | 52 1/2 | +7/8 |
| 54 | 39 1/4 | Abbott Lab | 1.00 | 0.02 | 22 | 3381 | 52 1/2 | 50 3/4 | 51 1/4 | -5/8 |
| 14 1/2 | 9 7/8 | Abitibi Pr | 0.50 | 0.04 | 26 | 34 | 13 5/8 | 13 1/2 | 13 5/8 | |
| 11 5/8 | 10 3/8 | ACM Gvt In | 1.28 | 0.12 | | 1214 | 11 | 10 7/8 | 10 7/8 | |
| 9 3/4 | 8 3/4 | ACM GvOpp | 1.01 | 0.11 | | 161 | 9 | 8 7/8 | 8 7/8 | |
| 9 1/4 | 8 1/4 | ACM Gvt Sp x | 1.01 | 0.11 | | 114 | 9 1/8 | 9 | 9 1/8 | |
| 11 | 9 7/8 | ACM Gvt Se x | 1.26 | 0.12 | | 808 | 10 1/4 | 10 1/8 | 10 1/4 | +1/8 |
| 8 3/8 | 7 5/8 | ACM Man | 1.01 | 0.12 | | 139 | 8 1/4 | 8 1/8 | 8 1/4 | +1/8 |
| 12 7/8 | 11 1/2 | ACM Managd | 1.37 | 0.11 | | 830 | 12 1/8 | 12 | 12 | -1/8 |
| 7 1/2 | 4 3/4 | Acme Cleve | 0.40 | 0.07 | 14 | 233 | 6 | 5 3/4 | 6 | |
| 6 | 3 1/2 | Acme Elect | | | 37 | 184 | 4 1/4 | 3 3/4 | 3 3/4 | -5/8 |
| 40 | 22 3/4 | Acuson | | | 21 | 1054 | 29 3/4 | 29 | 29 1/8 | -1/8 |
| 18 1/2 | 14 1/4 | Adams Expr | 0.73 | 0.04 | 0 | 84 | 17 7/8 | 17 3/4 | 17 3/4 | -1/8 |
| 20 1/8 | 18 | Adobe12Pf | 2.40 | 0.13 | | 492 | 19 | 18 3/4 | 18 3/4 | -1/4 |
| 9 1/4 | 6 1/4 | Adobe Res | | | 21 | 690 | 7 1/4 | d6 3/4 | 7 1/4 | +1/2 |
| 38 5/8 | 18 | Ad Micro | | | | 278 | 35 | 34 1/2 | 34 1/2 | -1/2 |
| 14 1/4 | 4 5/8 | Ad Micro P | 3.00 | 0.25 | 13 | 4020 | 12 5/8 | 12 | 12 | +1/8 |
| 6 1/8 | 2 1/4 | Advest Grp | 0.16 | 0.04 | 5 | 9 | 4 1/4 | 4 1/4 | 4 1/4 | |
| 48 1/8 | 33 7/8 | Aetna Lf | 2.76 | 0.07 | 8 | 866 | 41 5/8 | 40 7/8 | 41 5/8 | -1/8 |
| 10 5/8 | 6 5/8 | AMI A | 0.24 | 0.03 | 36 | 1475 | 9 1/4 | 8 7/8 | 9 1/8 | +1/8 |
| 20 1/4 | 12 | Ahmanson | 0.88 | 0.05 | 10 | 1868 | 18 1/8 | 17 3/4 | 18 1/8 | |
| 10 3/8 | 2 7/8 | Aileen Inc | | | 12 | 364 | 9 5/8 | 9 1/8 | 9 5/8 | +1/4 |
| 74 1/4 | 51 3/8 | Air Pr Chm x | 1.56 | 0.02 | 15 | 457 | 69 1/4 | 67 1/4 | 67 3/4 | -1 1/4 |
| 26 5/8 | 16 5/8 | Airbne Frt | 0.30 | 0.01 | 14 | 373 | 24 | 23 1/4 | 24 | +5/8 |
| 18 7/8 | 12 1/2 | Airgas Inc | | | 69 | 64 | 15 | 14 5/8 | 14 5/8 | -1/4 |
| 15 1/4 | 10 | Airlease x | 1.60 | 0.13 | 6 | 31 | 12 5/8 | 12 5/8 | 12 1/2 | -1/8 |

Continued on next page

# NYSE COMPOSITE PRICES

Continued from previous page

## - X - Y - Z -

| 1991 High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|---|---|---|
| 60¼ | 35¼ | Xerox | 3.00 | 0.06 | 9 | 2190 | 54⅛ | 52⅞ | 54 | +⅛ |
| 51 | 43¼ | Xerox4.125 | | | | 12 | 48¼ | 48 | 48 | |
| 21¼ | 14⅛ | Xtra 1.94 | | | | 6 | 20½ | 20½ | 20½ | |
| 24⅞ | 14¼ | Xtra Corp | 0.72 | 0.03 | 23 | 32 | 23¼ | 22⅞ | 23 | |
| 24¼ | 21⅞ | Yankee Egy | 1.80 | 0.07 | 12 | 182 | 23 | 22¾ | 22⅞ | |
| 1½ | ⅜ | Zapata | | | | 61448 | ½ | ⅜ | ⅜ | |
| 9⅞ | 6⅛ | ZenithElec | | | 2 | 540 | 7⅝ | 7¼ | 7⅛ | |
| 18½ | 12 | Zenith Nat | 1.00 | 0.06 | 67 | 1815 | 17 | 18 | 18¼ | -⅞ |
| 8⅛ | 4½ | Zenix Inc x | 0.99 | 0.17 | | 18 | 6 | 5⅞ | 5⅞ | -⅛ |
| 15⅛ | 10⅞ | Zero Corp | 0.40 | 0.03 | 14 | 72 | 13⅝ | 13⅛ | 13⅝ | |
| 41⅞ | 29½ | Zurn Ind | 0.88 | 0.02 | 14 | 151 | 35½ | 34⅞ | 35 | -⅝ |
| 13½ | 10⅞ | Zweig Fund | 1.12 | 0.09 | | 121 | 12⅝ | 12½ | 12⅝ | |
| 10 | 8½ | Zweig Totl | 0.96 | 0.10 | | 329 | 9⅞ | 9⅞ | 9⅞ | |

*Price data supplied by Telekurs.*

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE PRICES

4:00 pm prices June 28

# NASDAQ NATIONAL MARKET

4:00 pm prices June 28

*MONDAY INTERVIEW*

# Family still minding the store

**Lord Sainsbury, chairman of J Sainsbury, and David Sainsbury, deputy chairman, speak to Guy de Jonquières and John Thornhill**

British retailing history is peppered with companies such as Marks and Spencer, and Tesco which owe their rise to the families which founded them. Over the decades, however, dynastic influence has often waned as professional managers and outside shareholders have moved in to take a bigger role in the business.

J Sainsbury, Britain's largest food retailer, is a rare exception. In spite of last month's £489m rights issue – which will dilute the family holding from 47 to 43 per cent – the company is still largely controlled by the fourth generation of the founding family.

*The arrangement has been* richly rewarding for outside investors. Sainsbury has *shrugged off the recession,* reporting 20 per cent profits growth in the year to March. *The result capped a decade in* which annual returns to shareholders averaged 31 per cent.

The annual general meeting on Thursday will doubtless hear promises of more to come. Sainsbury is investing in a long-term expansion programme at the rate of more than £2m a day.

There are only two family members on Sainsbury's payroll, but they hold the most senior management posts. Though first cousins, they could scarcely be more different. Lord Sainsbury, the 63-year-old chairman, is an authoritarian of the old school, who takes pride in a detailed grasp of the business acquired in 41 years with the company.

Outwardly every inch the Tory grandee, he insists he is a shopkeeper at heart, never happier than when prowling the aisles checking products and prices. His swoops on *Sainsbury stores are legend*ary, as are his thunderous outbursts at any sign of sloppiness. *"If I walk past a display* in a branch that's a shambles, how can I expect the manager *to object* when he walks past it?" he asks.

He sets equally demanding standards for his own family, insisting that nepotism is the enemy of business success. Since the last war, the rule has been that "you either get on or you get out. You've got to show that you can do better than those around you who are non-family, or you disappear. You don't get your job because of your name."

David Sainsbury, 48-year-old deputy chairman who is in line to take over the top job next year, also worked his way through the ranks since joining the company in 1963. Though much the richest *Sainsbury, owning about* a fifth of the company, a stake currently worth almost £1.2bn, he is disarmingly unassuming. Conservative in appearance and thoughtful in manner, he seems to go out of his way to eschew the tycoon image. On casual acquaintance, he might be mistaken for a branch manager.

The cousins insist their temperamental differences are complementary. "He is a more patient man than I am," admits Lord Sainsbury, prompting the immediate rejoinder: "That you can get unanimity on." Serious disagreements are said *to be rare.* The last was 12 years ago when David was defeated over a proposal to *diversify into fast food.*

On two issues, above all, they are utterly united. One is *a passionate* conviction that Sainsbury's is the best company in the business, and that *its* relentless pursuit of better value and wider choice has contributed in equal measure to the welfare of customers, shareholders and staff.

They are equally unanimous in their commitment to a business philosophy which combines deep respect for tradition with a restless appetite for change. They see no paradox in this. Indeed, they argue that ceaseless innovation is dictated by the values that have inspired Sainsbury's since its first grocery store opened in London's Drury Lane in 1869.

"The consistency goes back to the very start of the business, because the founders had two very simple premises," says Lord Sainsbury. "They wanted better quality than any of their competitors and they wanted lower prices. Lots of *people wanted one or the* other. Their uniqueness was to go for both. It's been a consist*ent formula that has con*stantly been adapted and changed and is continually *adapting and changing."*

However, even some of the company's keenest admirers are becoming uneasy about how much longer the current version of the formula will continue to bring home the bacon. They fear hectic investment in new stores by Sainsbury's and its main rivals will saturate the market, provoking a price war and shrinking margins.

The cousins will have none of it. While conceding that it is arithmetically impossible to increase sales area for ever at the current rate of 8 per cent a year, they say the Jeremiahs miss the point. Sainsbury is driven not by some megalomaniac urge to carpet the country with superstores, but by the need continuously to renew the business.

The real art, it seems, lies in *knowing when to shut shops* as much as when to open them. "One of our great strengths since the war is that we didn't hesitate to close down out of date and small stores," says Lord Sainsbury.

The latest generation of out-of-town superstores, averaging 35,000 sq ft, yield far higher margins than smaller outlets. However, the cousins prefer to think of their strategy as a response to changes in customer demand dictated by demographics and the increased mobility which goes with higher levels of car ownership.

Trevor Humphries

## 'You don't get your job because of your name'

**PERSONAL FILE: LORD SAINSBURY**

- **1927** Born November 2. Educated Stowe School and Worcester College, Oxford.
- **1958** Director, J Sainsbury.
- **1967-69** Vice-chairman.
- **1969** Chairman, J Sainsbury.
- **1975-79** Member, Council, Retail Consortium.
- **1984-** Vice-president, Contemporary Arts Society.
- **1987-** Chairman, Royal Opera House

**DAVID SAINSBURY**

- **1940** Born October 24. Educated King's College, Cambridge and Columbia University.
- **1963** Joined J Sainsbury.
- **1973-90** Finance director.
- **1982-** Trustee Social democratic party.
- **1985-** Member governing body of London Business School.
- **1988-** Deputy chairman, J Sainsbury.

Furthermore, customers flock to Sainsbury's these days not just for groceries, but to *buy a rapidly expanding range* of items such as cut flowers, newspapers, petrol and *tobacco. "You only get satura*tion if the rate of innovation stops, because then you have no need to renew," says David Sainsbury. "We will never get into a position where we say, we cover the whole of the country and therefore we don't go on building any new stores."

Not everyone shares Lord Sainsbury's enthusiasm about some results of what he calls "our duty to offer choice". In some areas where superstores have opened, local shops have gone out of business. Indeed, the number of UK grocery outlets is estimated to have fallen from 147,000 to 44,000 in the past 30 years. For shoppers too old or too poor to drive there, a palatial superstore in the suburbs may not be much of a compensation. The cousins allow that some rival outlets are being squeezed out by the growth of superstores but say *the main casualties are ineffi*cient medium-sized supermarkets, not corner shops.

*While the impact of Sains*bury's commercial activities on the quality of life may be *debated,* the Sainsbury family's philanthropic contributions are beyond dispute. The most high-profile example is their financial support for the about-to-be-opened National Gallery extension.

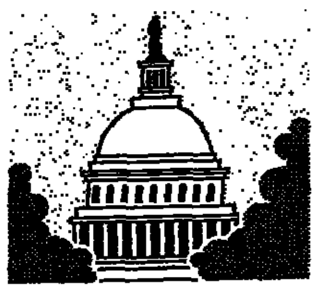
Lord Sainsbury, a former chairman of the Royal Opera House, is a leading patron of the arts. The consuming interest of David Sainsbury is reform of UK industrial policy, a cause which led him to fund the now-defunct Social Democratic party and to flirt briefly with thoughts of a political career.

But for both, the freedom conferred by immense inherited wealth to indulge personal passions is balanced by an *acute awareness of special obli*gations. As temporary custodians of vast fortunes, they *clearly feel a duty to husband* and spend them well.

Although they inherited a lot *of shares, says Lord Sainsbury,* "they aren't worth a lot of money if you don't want to sell them. And we never did want to sell them. We felt they were there and we were jolly lucky to have them, but they weren't disposable in any meaningful way. Of course I have a very substantial income, and that in itself brings responsibilities. But the first responsibility is to the business, to see that it's looked after."

Will there always be Sainsburys around to mind the shop? Both cousins would like to think so, praising the continuity of values and long-term horizons which family involvement brings. "But this is now a very highly professional business with very good managers," says David Sainsbury. "The success of the business isn't dependent on a fifth generation coming in."

# No superpower for children



**MICHAEL PROWSE**
on America

With the collapse of communism, the US is being hailed as the world's only superpower. Its political and economic system *is touted as a model in both* eastern Europe and the Third World. May I recommend an antidote for this hubris: a sober report on the state of American families by the bipartisan National Commission on Children.

The commission, chaired by Senator Jay Rockefeller, a Democrat from West Virginia and a possible presidential candidate in 1992, questions "the moral character of a nation that allows so many children to grow up poor, to live in *unsafe dwellings and violent* neighbourhoods, to lack access to basic health care and a *decent education".*

But it avoids empty rhetoric by drawing attention to specific failings. Why is the US fighting a measles epidemic in big cities? Answer: because nearly a third of pre-school children are not immunised against common contagious diseases. Why are large businesses often unable to find competent workers? Answer: because nearly 40 per cent of youths in big cities drop out of high schools. Destructive forms of behaviour abound: *more than half of children* experiment with drugs and drink alcohol on a regular *basis; one in seven suffers* mental disorders; gunshot wounds kill more teenage boys *than all natural causes com*bined.

Why is this happening in what remains a very wealthy society? Mr Rockefeller and his colleagues focus on two interrelated trends: the breakdown of traditional families and unacceptably high levels of child poverty.

Out-of-wedlock births and a rising divorce rate mean that more than 16m American children – one in four – grow up with a single parent, usually the mother. Three-quarters of women with school age children work outside the home, often full-time, reducing the time available for child-rearing even in two-parent families. The commission is not saying these trends can or should be reversed, merely pointing out that they often *create a less* supportive environment for children.

*One in five children* (the rates for minorities are much higher) lives below the federal poverty line, *making* children the poorest group in US society. The elderly, who once occupied this role, have benefited from a big expansion of public-sector pensions. The causes of child poverty are multifarious but include family break-up – on average single mothers earn only 40 per cent as much as two-parent families – and declining real wages for young workers: the median income of families headed by workers under the age of 25 has fallen by nearly a quarter *in real terms since* 1973.

What can be done? Many of the Rockefeller report's recom*mendations seem blindingly* obvious. It suggests, for example, that health insurance should be extended to all children and pregnant mothers, if necessary at public expense. You have to pinch yourself to remember that for many Americans this represents an unacceptable form of "socialised medicine".

The greatest controversy, however, is likely to surround the centrepiece of the commission's $56bn (£34bn) reform programme: a $1,000 refundable tax credit for all children under the age of 18. This would bring the US into line with other western industrialised countries which all provide universal public benefits for families raising children. The credit would be received as a direct cash payment by families too poor to pay tax; for others it would replace the current personal tax exemption.

All families with children would gain, but especially those on low incomes. The credit, for example, would be equivalent to a tripling of the personal exemption for families paying tax at 15 per cent, the lowest rate.

Conservatives have already raised two objections to the credit. The first is that it represents resources without strings: unmarried teenagers, for example, would get extra *cash without* being required to work or undertake training. The second is that it is rela*tively poorly targeted:* even the children of millionaires would gain some benefit.

These objections miss the point. The credit is not intended as welfare reform but as tax reform. One of the most striking fiscal changes in recent decades has been a rise in the relative tax burden on families with children as inflation eroded the value of tax exemptions for dependents. Since 1948, the exemption has declined from 42 per cent to 11 per cent of per capita personal income. *In effect, the Rocke*feller report is advocating that a portion of that unintended decline be *made good.*

Anxious to sustain bipartisan support, the commission *did not specify* how the child tax credit should be financed. But it listed plenty of possibilities, ranging from cuts in programmes such as the space station to slightly higher marginal tax rates on high earners and a national value added tax. Nobody can rationally argue that the money cannot be found.

If the US is indeed a superpower, it ought to be able to improve the lot of American children. Many current strains are not easily addressed: broken families cannot easily be stuck together. But poverty, a contributory cause of distress for millions of families, can be relieved. A tax system that more accurately reflected the cost of raising children would be far from a panacea. But it would be a step in the right direction – a step that many Americans might ultimately value more than the glorious rhetoric of superpower politics.

# Still afflicted by Europhobia

**IAN DAVIDSON**
on Europe

The last few days have demonstrated that Britain does not really want to be part of the European Community. While Mrs Thatcher was in power, it was easy to blame her crude chauvinism for the essentially anti-Community undertone of offi*cial British discourse. Unfortu*nately, she was too easy a scapegoat.

Her departure has substantially improved the urbanity of negotiation between Britain and its European partners. Community summit meetings no longer vibrate with her shrill denunciations, and the other member states are relieved that Mr John Major is willing to negotiate in a nor*mal tone of voice.*

But there is not much doubt on the essential issue, which is that the gut feelings of the Major government are still fundamentally anti-Community. The normal conventions of civilised behaviour are observed much better than before, but the deep objectives remain unchanged: to deny, obstruct, and prevent the attainment of the kind of integrated Community most of the other member states desire.

This may be partly the result of the circumstances of the moment. Mrs Thatcher and the recession have created enormous difficulties for the new prime minister; if the economy recovers and Mrs Thatcher goes away, perhaps Mr Major's courage *for the European* enterprise will recover too.

I would not bank on it, not *after last week's debate on* Europe in the House of Commons. Of course, the newspaper *headlines concentrated on* Thatcher's impassioned diatribe against the Community. But the central *fact about* the debate as reported abroad, was that the government apparently had no creative strategy for Europe, and would proba*bly be indignant if you* suggested it ought to have one. Every phrase seems to have been designed to reassure the House that the British would remain vigilant against insidious incursions by the dreadful Europeans. They might attempt to foist their knavish tricks on us, but Britain would be on its guard to reject, resist, and reduce their onslaughts.

The Labour party claims to have been converted *to* Europe; if so, it must have been a very reluctant conversion. Indeed, the Commons debate seems to have been a competition in negativeness, in which government and opposition challenged each other to confess to harbouring secret urges to sell Britain's birth*right down the river.*

The traditional British jibe is that the continentals have a *lamentable* weakness *for ideol*ogy; but it turns out that the airy-fairy continentals are the *pragmatists, and* the British the rigid ideologues.

Take the current negotia*tions* on political union in the Community. Most EC member states are ready to subscribe to the idea that the Community's ultimate objective will be "federal". They *may not* have an agreed definition of what the word means, *but then they are* creating a Community, not writing a dictionary. Only the pragmatic British are determined to scrutinise, with the philological intensity of a Wittgenstein, all the shades of meaning of the word "federal", in every Community language, and even then will reject it. It is most peculiar.

Mr Major tells us there are many different interpretations, in different countries, of the word federal. A rational man should be reassured: either the word federal *has no normative* force, or the British government is free to determine and if *necessary impose its own* definition. But no; the UK government protests hysterically as if the word federal were really a magic spell that would rob the British of their vital bodily fluids.

Curiously, the word *federal* raises no storm in France. President Mitterrand caused a *tiny frisson when he first came* out with it last year, but now it is taken for granted. This is rather strange, considering that France is, after Britain, the most centralised unitary state in Europe.

One explanation is indeed that France is now only the second-most centralised state in *Europe: President Mitter*rand has started a process of decentralisation, whereas Mrs *Thatcher destroyed local gov*ernment in Britain. Another element is the British electoral *system,* which automatically confers an unrepresentative monopoly of power on one party. Since British political parties cannot bear to share power with each other, it is not surprising they do not take *naturally to sharing it with for*eigners.

Mr James Baker, the US sec*retary of state, has described* the evolution of the Community in simple, undramatic *terms. "The European Commu*nity's success at integration," he said in Berlin recently, "enables its member nations to benefit from common policies, preserve distinctive national attributes, and also devolve authority to local governments closer to the people." This is not a description you will hear from the British government, however; no doubt it does not agree with it as a fact or an *objective.*

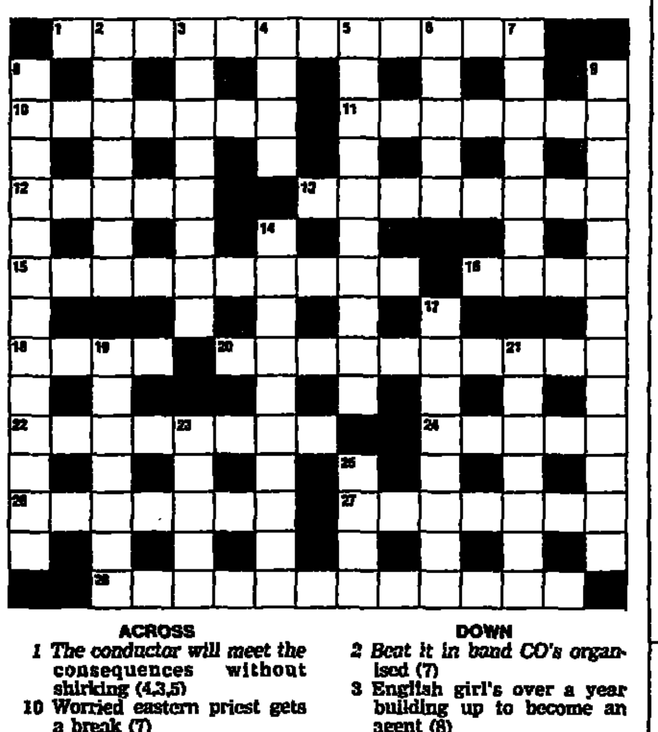
The rest of the year will inevitably see a prolonged rear*guard action, in which Britain* will attempt to resist the ideas of a European defence policy, a European social policy, a European immigration policy, or increased legislative powers for the European Parliament. At *the end of the year,* presumably, the British government will sign a treaty with some*thing of all these things,* because it cannot afford to go home alone.

But it would be nice if the British government were at some stage to reveal to its electorate, that the European Community is now crossing an existential watershed, from the step-by-step to the all-or-noth*ing. When that watershed has* been crossed, all issues will be potential subjects for discus*sion in Brussels, subject to* subsidiarity (the principle that the EC should only deal with *matters that cannot be better* tackled at national or local level). Is that a federation? Ask John Major.

**JOTTER PAD**

## CROSSWORD

No.7,582 Set by QUARK



**ACROSS**

1 *The conductor will meet the* consequences without shirking (4,3,5)
10 Worried eastern priest gets a break (7)
11 Make one's home outside a city in America (7)
12 Wild *about an explorer* (5)
13 Nose could be, whether disdainful or not (6-2)
15 Fruit for wine of earlier vintage? (10)
16 Map left in the vessel (4)
18 The team moaned, they say (4)
20 Voiced when the glasses are raised? (4,6)
22 Dog Latin as a new translation (8)
24 Mark was hasty in theological degree (5)
26 *Noel put out, but rich* (7)
27 Founder with seaside feature about one (7)
28 In which there's evidence of the working class? (8,4)

**DOWN**

2 *Beat it in band CO's organ*ised (7)
3 English girl's over a year building up to become an agent (8)
4 The bounder to lean to one side (4)
5 *Certain type of party to* show pretence (10)
6 One in a short trip in the country (5)
7 CID with tale about a fortress (7)
8 The time when bats come *out* (7,6)
9 Night vault? What it leads to is unpredictable (4,2,3,4)
14 Gold in odd creation concerned with flying (10)
17 Interest again about sailor's brother arising (8)
19 *Put side in disarray in con*test (7)
21 Plain liver completely taken up with emporor (7)
23 Article on Middle East? That's the subject (5)
25 There's nothing the matter with work! (4)

**The solution to last Saturday's prize puzzle will be published with names of winners on Saturday July 13.**

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Price for Trading on [illegible]: Pool purchase price £/MWh | Final Prices for Trading on [illegible]: Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 15.59 | 16.28 | 16.28 |
| 0100 | 15.59 | 16.14 | 16.14 |
| [illegible] | [illegible] | [illegible] | [illegible] |

[illegible]

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Price for Trading on [illegible]: Pool purchase price £/MWh | Final Prices for Trading on [illegible]: Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 15.59 | 16.14 | 16.14 |
| 0100 | 15.59 | 16.14 | 16.14 |
| [illegible] | [illegible] | [illegible] | [illegible] |

[illegible]

NGC Settlements Limited

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| ABN Bank | 11.5 | Comm.Bk.of London Plc | 11.5 | McDonnell Douglas Bk | 11.5 |
| Adam & Company | 11.5 | Co-operative Bank | 11.5 | Midland Bank | 11.5 |
| Allied Trust Bank | 11.5 | Coutts & Co | 11.5 | Mount Banking | 11.5 |
| AIB Bank | 11.5 | Cyprus Popular Bk | 11.5 | Nat Westminster | 11.5 |
| ● Henry Ansbacher | 11.5 | Dunbar Bank PLC | 11.5 | Northern Bank Ltd | 11.5 |
| B & C Merchant Bank | 11.5 | Duncan Lawrie | 11.5 | Nykredit Mortage Bank | 12 |
| Bank of Baroda | 11.5 | Equatorial Bank plc | 11.5 | Provincial Bank PLC | 14 |
| Banco Bilbao Vizcaya | 11.5 | Exeter Bank Limited | 12 | Roxburghe Bank Ltd | 12.5 |
| Bank Credit & Comm | 11.5 | Financial & Gen. Bank | 12 | Royal Bk of Scotland | 11.5 |
| Bank of Cyprus | 11.5 | First National Bank Plc | 14 | ● Smith & Williamson Secs. | 11.5 |
| Bank of Ireland | 11.5 | ● Robert Fleming & Co. | 11.5 | Standard Chartered | 11.5 |
| Bank of India | 11.5 | Robert Fraser & Ptnrs. | 12 | TSB | 11.5 |
| Bank of Scotland | 11.5 | Girobank | 11.5 | Unibank plc | 11.5 |
| Banque Belge Ltd | 12 | ● Guinness Mahon | 11.5 | ● United Bk of Kuwait | 11.5 |
| Barclays Bank | 11.5 | ● Hambros Bank | 11.5 | Unity Trust Bank Plc | 11.5 |
| Benchmark Bank | 11.5 | Hampshire Trust Plc | 13.5 | Western Trust | 11.5 |
| Brit Bk of Mid East | 11.5 | Heritable & Gen Inv Bnk. | 11.5 | Westpac Bank Corp. | 11.5 |
| ● Brown Shipley | 11.5 | ● Hill Samuel | 11.5 | Whiteaway Laidlaw | 11.5 |
| CL Bank Nederland | 11.5 | C. Hoare & Co. | 11.5 | Yorkshire Bank | 11.5 |
| Citibank NA | 11.5 | Hongkong & Shanghai | 11.5 | | |
| City Merchants Bank | 11.5 | ● Leopold Joseph & Sons | 11.5 | | |
| Clydesdale Bank | 11.5 | Lloyds Bank | 11.5 | | |
| | | Meghraj Bank Ltd | 11.5 | | |

● Members of British Merchant Banking & Securities Houses Association.